



AUDITOR GENERAL

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DEPARTMENT OF JUVENILE JUSTICE

SELECTED ADMINISTRATIVE FUNCTIONS

Operational Audit

SUMMARY

As summarized below, our audit of the Department of Juvenile Justice for the period July 1, 2003, through February 28, 2005, and selected Department actions taken through May 25, 2005, disclosed numerous deficiencies related to some administrative functions at the Department. The findings are indicative that the processes and controls established by Department management were not sufficient to minimize the risks associated with these functions.

CAPITAL ASSETS

Finding No. 1: Although the building valuation methodology used by the Department to estimate the historical value of Department buildings appears reasonable, we noted discrepancies in the application of the methodology.

Finding No. 2: The accumulated depreciation recorded for buildings in Department accounting records was understated by approximately \$30 million.

PURCHASING CARDS

Finding No. 3: The Department's Purchasing Card Program was not operating as intended, resulting in limited assurance that Purchasing Card activity was appropriate, efficiently executed, and in compliance with established controls and governing laws, rules, and other guidelines. The extent and nature of the deficiencies noted could allow inappropriate transactions to occur and not be timely detected.

Finding No. 4: Department travelers did not always submit travel vouchers for Purchasing Card travel-related charges, contrary to established Department procedures.

OTHER ADMINISTRATIVE FUNCTIONS

Finding No. 5: The Department did not maintain accurate records or take appropriate actions related to billing, collecting, reporting, and managing cost-of-care fees.

Finding No. 6: The Department did not maintain a reliable comprehensive listing of the amounts and status of collection attempts for salary overpayments.

Finding No. 7: The Department did not reconcile reports of motor vehicle sales proceeds to what was received and recorded in Department accounting records.

Finding No. 8: The Department did not timely remove Florida Accounting Information Resource Subsystem (FLAIR) access for terminated employees.

Finding No. 9: The Department did not maintain a complete and accurate list of settlement agreements and has not formalized uniform procedures to track and manage settlement agreements.

Finding No. 10: The Department did not maintain a listing of cellular telephones and handheld wireless devices. In addition, Department procedures did not include guidance for determining the need for a cellular telephone or handheld wireless device or for selecting the most economical calling plan that is best suited to Department needs.

BACKGROUND

The Department is responsible for planning, coordinating, and managing the delivery of all programs and services within the juvenile justice continuum.¹ To deliver these programs and services, the Department is organized into five core functions or program areas: Prevention and Victim Services, Probation and Community Corrections, Intake and Detention, Residential and Correctional Facilities, and Administration.² Each of the five program areas is headed by an Assistant Secretary or Director. The program areas are divided into three regions (North, Central, and South) and, with the exception of Administration, are further divided into circuit offices.

While functions performed by the Prevention and Victim Services, Probation and Community Corrections, Intake and Detention, and Residential and Correctional Facilities program areas are somewhat autonomous, the Office of Administrative Services is responsible for performing a variety of functions and performing a wide array of services for all Department staff and agencies doing business with the Department. These functions and services include: budget, finance and accounting, general services, information systems, purchasing, and personnel.

FINDINGS AND RECOMMENDATIONS

As described in the BACKGROUND, the Department’s organization is decentralized. Inherent to any decentralized organization are communication and oversight challenges. The establishment and effective dissemination of policies and procedures, proper training, and monitoring are key to ensuring that employees have the necessary skills and resources to achieve organizational success in compliance with

¹ Section 20.316(1), Florida Statutes, defines the term “juvenile justice continuum” as all children-in-need-of-services programs; families-in-need-of-services programs; other prevention, early intervention, and diversion programs; detention centers and related programs and facilities; community-based residential commitment and nonresidential programs; and delinquency institutions provided or funded by the Department.

² Section 20.316(2), Florida Statutes.

established controls and governing laws, rules, and other guidelines. In this report, we describe numerous deficiencies related to some administrative functions at the Department. The findings are indicative that Department management had not established the necessary processes or implemented essential internal controls to minimize the risks associated with the operation of these functions.

Capital Assets

In accordance with generally accepted accounting principles, the *State of Florida Statewide Financial Statements Capital Asset Policy* requires that capital assets be reported at historical cost (or estimated historical cost) less accumulated depreciation. To support the amounts reported for capital assets, records evidencing complete and accurate information relating to the historical cost or other acceptable valuation methods should be obtained and retained.

We previously reported, most recently in audit report No. 2005-158, Finding No. FS 04-02, that buildings and building improvements and the related accumulated depreciation reported by the Department in the financial records were not adequately supported by complete, accurate, and verifiable information. As of May 25, 2005, Florida Accounting Information Resource Subsystem (FLAIR) Property Subsystem records reflected a total value of approximately \$300 million for buildings (General Ledger Code 272) and approximately \$66 million for the life-to-date accumulated depreciation for those buildings.

Finding No. 1: Building Valuations

During the audit period, Department staff performed a substantial amount of work to correct deficiencies in Department capital asset records. Many of the deficiencies had existed since 1994 when hundreds of buildings were transferred to the newly created Department. The actions taken by the Department to correct the records included: accumulating and organizing pertinent building documentation, using the information accumulated in the application of a building valuation methodology to estimate the

historical cost of approximately 800 Department buildings, and recording the estimated amounts in the FLAIR Property Subsystem. (The historical costs of the buildings were estimated using a building valuation methodology because of the lack of actual cost documentation.)

The building valuation methodology used by the Department appears reasonable and incorporates many factors including, but not limited to: square footage, building type and complexity, year of construction, inflation (based on the Consumer Price Index), and construction management and architectural and engineering fees. We noted discrepancies, however, in the application of the building valuation methodology. Specifically, we applied the methodology to information related to 100 of the buildings and compared the resulting historical cost estimates to those calculated by the Department and determined the following:

- The square footage used in the Department’s historical cost estimate did not agree with the supporting documentation for 6 of the 100 building values we reviewed. The differences in the square footage for these 6 buildings resulted in historical cost estimate differences totaling \$211,841 (2 buildings overvalued by \$354,231 and 4 buildings undervalued by \$142,390).
- To determine the median cost per square foot of each building, Department staff applied a construction cost multiplier that was determined based on the building size and type. Department staff applied an incorrect cost multiplier for 5 of the 100 buildings we reviewed, resulting in historical cost estimate differences totaling \$1,039,112 (3 buildings overvalued by \$1,181,301 and 2 buildings undervalued by \$142,189). In response to audit inquiry regarding the use of the incorrect cost multiplier, Department staff indicated that “Despite the checks employed in the process, five incorrect entries is excessive. I will personally check...for all facilities using the cost multiplier approach to adjust unit cost.” Subsequent to this audit inquiry response, Department staff provided evidence of verification of the cost multiplier and identified 5 additional instances (for buildings not included in our review) in which an incorrect multiplier was used. The differences in the historical cost

estimates in these 5 instances resulted in buildings being overvalued by a total of \$15,740.

- Department staff applied the incorrect Consumer Price Index (CPI) factor for 7 of the 100 buildings we reviewed. As the recorded construction year for all 7 of these buildings was 1998, we reviewed the CPI factor applied for all buildings with a construction year of 1998 and noted that an incorrect factor was applied to a total of 47 Department buildings. As a result, the historical cost estimates for these 47 buildings were undervalued by a total of \$335,902.
- Based on supporting documentation, the Department used the incorrect year of construction for the cost estimates of 3 of the 100 buildings we reviewed. The construction year not only affects the historical cost estimate (the CPI factor is determined based on the construction year) but also affects the amount of accumulated depreciation that should be recorded against a particular building. As a result of recording the incorrect construction year, the difference in the historical cost estimates for these 3 buildings totaled \$79,181 (2 buildings overvalued by \$346,892 and 1 building undervalued by \$426,073). (Finding No. 2 discusses errors in the accumulated depreciation of Department buildings.)

The differences described above total approximately 1 percent of the values recorded in Department accounting records. While the Department appears to have substantially corrected the material deficiencies in the recording of buildings in Department accounting records, the discrepancies noted above illustrate the need for a more thorough review of the information supporting the historical building cost estimates.

Recommendation: We recommend that Department staff thoroughly review each factor used in the historical cost estimate for each building and, if discrepancies are noted, ensure that the appropriate amounts are recorded in the FLAIR Property Subsystem. We further recommend that the Department ensure that the documentation used in the historical cost estimate for each building is appropriately retained. For all future building acquisitions, we recommend that the Department ensure that sufficient documentation evidencing the actual historical cost of the building is retained and that the cost is accurately and timely recorded in Department accounting records.

Finding No. 2: Accumulated Depreciation

In accordance with generally accepted accounting principles, the *State of Florida Statewide Financial Statements Capital Asset Policy* requires that a capital asset be depreciated over the estimated useful life of the asset unless it is: inexhaustible (e.g., land, historical treasure, etc.), an infrastructure asset, or construction work in progress. The FLAIR Property Subsystem employs a straight-line method to calculate depreciation for each capital asset recorded in the Subsystem. State agencies using the FLAIR Property Subsystem are responsible for estimating the useful life of each asset and properly recording the corresponding property class code as well as other asset information (e.g., acquisition cost and receiving date). In addition, State agencies are responsible for scheduling the depreciation calculation at year-end prior to closing.

As discussed in Finding No. 1, due to the lack of actual cost documentation, the Department estimated, using a building valuation methodology, the historical cost for approximately 800 buildings. Subsequent to recording the estimated cost amounts in the FLAIR Property Subsystem in March and April 2005, Department staff requested that depreciation be calculated. However, although the Department updated the cost amounts in FLAIR, the accumulated depreciation was not properly adjusted. The following table shows some examples of incorrectly recorded accumulated depreciation amounts for specific buildings:

Building	Square Footage	Year Constructed	Department Estimated Historical Cost	Years of Useful Life ⁽¹⁾	As of May 2005		
					Percentage of Useful Life Remaining ⁽²⁾	FLAIR Life-To-Date Accumulated Depreciation	Percentage of Estimated Historical Cost Depreciated ⁽²⁾
1	14,180	1914	\$ 32,264	35	0.0%	\$ 9,163	28.4%
2	28,730	1941	93,071	35	0.0%	19,957	21.4%
3	12,203	1955	181,024	35	0.0%	62,357	34.4%
4	61,474	1960	1,399,197	35	0.0%	315,259	22.5%
5	107,098	1976	5,330,717	35	17.1%	3,059,801	57.4%
6	5,577	1976	341,901	40	27.5%	116,879	34.2%
7	1,152	1983	44,511	20	0.0%	21,428	48.1%
8	26,299	1995	1,673,985	35	71.4%	119,854	7.2%
9	28,623	1998	3,943,576	40	82.50%	268,656	6.8%
10	24,923	2001	4,565,869	40	90.00%	774,058	17.0%

Source: FLAIR Property Subsystem records.

Notes:

- ⁽¹⁾ The Department estimated the years of useful life and recorded the corresponding property class code in the FLAIR Property Subsystem.
- ⁽²⁾ There should be an inverse relationship between the percentage of estimated historical cost depreciated and the percentage of useful life remaining. For example, if the percentage of useful life remaining is 0%, the percentage of estimated historical cost depreciated should be 100%. (The Department does not record a salvage value for its buildings.)

As of May 25, 2005, Department accounting records reflect a total life-to-date accumulated depreciation for buildings of approximately \$66 million. As of that date, it appears that, in total, the life-to-date accumulated depreciation for buildings is understated in Department accounting records by approximately \$30 million (31 percent).

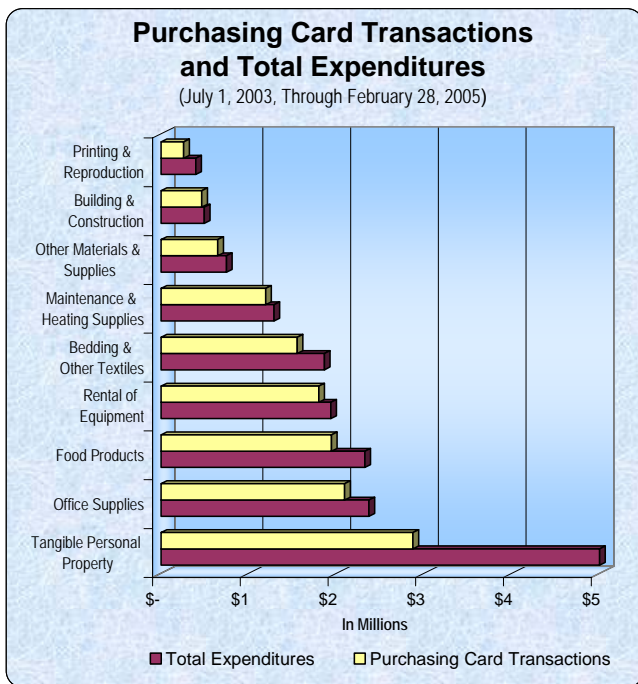
Recommendation: To ensure that Department capital assets are properly reported, Department accounting staff should ensure that accumulated depreciation is appropriately adjusted for financial reporting purposes.

Purchasing Cards

To provide the opportunity for State agencies to streamline processes, improve management reporting, and reduce the cost of making small-dollar purchases (defined as purchases under \$1,000), the Department of Financial Services (DFS) and the Department of Management Services (DMS), working together with the Bank of America, created the State's Purchasing Card Program. The approval and payment of Purchasing Card transactions are accomplished through an automated on-line approval and payment system within FLAIR. Guidelines for State agency Purchasing Card Programs are provided in the DFS *State Purchasing Card Guidelines*. According to those *Guidelines*, although the Purchasing Card provides a tool for making small dollar purchases, existing State laws governing purchasing, accounts payable, records

retention, and other applicable laws must be followed. (See Exhibit A for a summary of the *State Purchasing Card Guidelines* and associated *Department Purchasing Card Program Procedures*.)

During the audit period, Department Purchasing Card transactions totaled \$29 million and the Department had assigned 920 Purchasing Cards to Department employees. The following graph depicts the amount of Purchasing Card transactions as compared to total expenditures for categories in which the Department predominantly used Purchasing Cards during the audit period:



Source: FLAIR records.

Finding No. 3: Purchasing Card Program

The Department’s Purchasing Card Program is not operating as intended, resulting in limited assurance that Purchasing Card activity is appropriate, efficiently executed, and in compliance with established controls and governing laws, rules, and other guidelines. The nature of the deficiencies noted could allow inappropriate transactions to occur and not be timely detected. Specifically:

- Approval Process Department-established controls for the authorization and approval of Purchasing Card transactions were not sufficient to ensure

that the transactions were appropriate prior to payment. Although the Department has established the minimum of two levels of approval for each Purchasing Card transaction (in addition to the Payer), it is not clear how Department supervisors can monitor Purchasing Card activity in accordance with Department procedures as most of the approvers are not supervisors of the related purchasing activity, but are peers or subordinates of the Cardholders. In some instances, the approvers are not even at the same location as the Cardholder. The first-level review of transactions by an approver (other than the Cardholder) is the first line of defense against misuse; therefore, the first-level approver should be someone with first-hand knowledge of the types of products and services needed.

The Department has designated approximately 30 Level 7 Approvers (Purchasing Card Liaisons). The Level 7 Approvers’ responsibilities include matching the receipt amounts to FLAIR; verifying accounting codes; reviewing referenced purchase or direct orders; approving the transaction in FLAIR within four calendar days; forwarding receipts to the Bureau of Finance and Accounting, Accounts Payable Section; and notifying the Purchasing Card Program Administrator (PCPA) of Cardholder position reassignments and terminations. Our review of a listing of Department Level 7 Approvers disclosed that some Level 7 Approvers are responsible for approving transactions for in excess of 200 Cardholders. The voluminous number of transactions that may be generated by such a large number of Cardholders may limit the effectiveness of the Level 7 Approver’s review.

In response to audit inquiry, Department management indicated that the Purchasing Card is merely a payment method and that all procurement transactions (except travel, utilities, telephone, and certain unforeseen medical expenditures) are approved by supervisory personnel through the required use (effective May 2005) of the State’s e-procurement system, MyFloridaMarketPlace (MFMP).³ During the audit period, the Department began encouraging Purchasing Cardholders to write the MFMP direct

³ According to the DMS Web site, MFMP is a Web-based procurement system designed to streamline interactions between vendors and State governmental entities that purchase goods and services and provides a user-friendly Internet portal where vendors can register, receive information on upcoming bids, post information on products and services, and receive direct orders (purchase orders) electronically.

order number on every applicable receipt so that the transactions could be referenced to an approved order. However, referencing an approved MFMP blanket direct order number on a Purchasing Card receipt does not sufficiently demonstrate the need for the goods at the time of the transaction or that the Purchasing Cardholder’s supervisor was aware of the transaction. This is of particular concern as the Department extensively uses blanket direct orders and, due to the nature of the services provided by the Department, some of the orders list items that could be obtained for the personal use of the Cardholder.

➤ Cardholder Agreements The Department did not maintain signed Purchasing Cardholder Agreements for all Cardholders. Specifically, for 64 Cardholders, the Department was unable to provide the Agreements for 3 Cardholders. Absent signed Purchasing Cardholder Agreements, the Department cannot demonstrate that Cardholders were properly notified of their responsibilities or that the Cardholders accepted those responsibilities and acknowledged the ensuing consequences for Purchasing Card misuse.

➤ Spending Limits The Department did not always establish Purchasing Card spending limits commensurate with job responsibilities and needs. In addition, appropriate approval was not always retained for increased spending limits. We reviewed the spending limits listed in the Cardholder profiles for 31 Cardholders and noted that, during the audit period, 28 of the Cardholders had spending limits in excess of the \$1,000 per-transaction amount established in Department procedures and 17 of those 28 Cardholders had spending limits in excess of the \$25,000 established per-month amount. For these Cardholders, the single transaction limits ranged from \$4,500 to \$99,999 and the per-month spending limits ranged from \$30,000 to \$500,000. Our review of documentation provided in response to audit requests for evidence supporting the 28 Cardholders’ increased spending limits disclosed that:

- For 2 Cardholders (with monthly spending limits of \$50,000 and \$500,000, respectively) the Department was unable to provide documentation requesting and justifying the increased spending limits.

- For 4 other Cardholders, the spending limits requested in the Department-provided documentation did not agree with the Cardholders’ established spending limits and, for 3 of the 4 Cardholders, the spending limits exceeded the amounts requested by the Cardholders’ supervisors.
- For 2 additional Cardholders, the documentation indicated that the increases requested were temporary; however, the spending limits were not decreased after the time period noted in the request elapsed.

We also noted that the Department lacks procedures to periodically evaluate the adequacy and appropriateness of Cardholder spending limits once established. To determine the adequacy and appropriateness of Cardholder spending limits, we reviewed the charges for each month of the audit period for each of the aforementioned 17 Cardholders with increased per-month spending limits and, as shown in the following table, noted that the established per-month spending limits appear to be in excess of the actual needs for 16 Cardholders:

Cardholder	Per-Month Spending Limit	Average Monthly Spending Total	Highest Monthly Spending Total	Month With Highest Spending Total
1	\$ 500,000	\$ 25,683	\$ 44,186	February 2005
2	500,000	11,593	132,445	June 2004
3	200,000	16,808	51,582	September 2004
4	200,000	29,241	157,001	June 2004
5	200,000	12,212	36,216	December 2004
6	200,000	38,863	94,616	June 2004
7	200,000	37,883	58,922	January 2004
8	100,000	18,509	40,670	June 2004
9	95,000	18,419	34,662	September 2004
10	75,000	7,202	18,489	October 2003
11	50,000	8,547	30,060	August 2003
12	50,000	14,325	26,982	May 2004
13	50,000	6,314	14,665	August 2004
14	50,000	5,184	15,532	June 2004
15	50,000	3,942	9,915	May 2004
16	30,000	3,477	20,615	November 2004

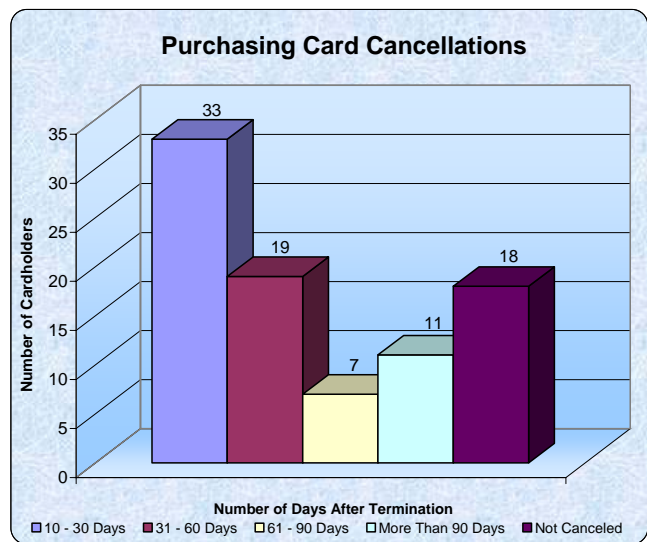
Source: FLAIR records and FLAIR Purchasing Card Module Cardholder Profiles.

➤ Reconciliation and Monitoring Activities During the audit period, Purchasing Card reconciliations were performed by the Accounts Payable Section and limited monitoring was performed by the Travel and Purchasing Sections. Our review of documentation related to the reconciliation and monitoring activities performed by these three Sections during the audit period and inquiries of Department personnel disclosed that:

- The Department did not always timely perform reconciliation and monitoring activities. At the time of our audit field work in May 2005, Accounts Payable staff were in the process of reconciling February 2005 Purchasing Card transactions; the Purchasing Section did not complete its monitoring of the July 2004 Purchasing Card transactions until January 10, 2005; and, as the Travel Section did not always document the date it completed its monitoring efforts, the timeliness of the monitoring could not be determined.
- The Department did not retain evidence of reconciliations performed for each month of the audit period. Absent any evidence of the performance of monthly reconciliations, the Department cannot demonstrate that the reconciliations were timely performed or that any discrepancies or violations noted during the reconciliation were communicated to the PCPA and timely resolved.
- Department reconciliations and monitoring efforts were not always comprehensive and complete. For at least one month during the audit period (July 2004), the Accounts Payable Section did not complete a reconciliation of all Cardholder transactions. Instead, for at least one group of Cardholders, the Accounts Payable Section appears to have relied on the Purchasing Card Liaison's (Level 7 Approver's) review of monthly transactions. In addition, according to Department management, the Travel Section only compared approximately 30 percent of the charges listed on submitted travel vouchers to monthly travel-related Purchasing Card transactions. Further, the Purchasing Section only reviewed the MFMP direct order on a "case-by-case basis" and audited an average of 3 to 5 percent of the monthly Purchasing Card transactions. In addition, as different reports are compiled at different times for Department reconciliation and monitoring activities, all applicable Purchasing Card transactions may not be subjected to monitoring by the Travel and Purchasing Sections.

➤ Cancellations The Department did not always timely cancel Purchasing Cards upon a Cardholder's separation from Department employment. As shown in the following graph, our review of Cardholder profiles and listings of

terminated employees disclosed a total of 88 former Department employees whose Purchasing Cards had not been timely canceled. The cards for 70 of the former employees were canceled from 10 to 257 days after the Cardholder's separation from Department employment. Although the remaining 18 Cardholders had terminated employment with the Department between August 31, 2003, and December 30, 2004, their cards had not been canceled at the time of our audit field work in May 2005. By not timely canceling Purchasing Cards at (or prior to) a Cardholder's separation from employment, the Department increases the risk that unauthorized purchases may occur and needlessly subjects the State to potential financial loss.



Source: Auditor analysis of employee termination dates from People First and Cooperative Personnel Employment Subsystem (COPEs) records and Purchasing Card cancellation dates from FLAIR Purchasing Card Module Cardholder Profiles.

Department management establishes the integrity and ethical values of the Department and is responsible for establishing a control environment that ensures appropriate controls are in place. Strong support should be communicated from all levels of management as should the expectation that Cardholder and approver duties are not just cursory duties but financial responsibilities. The nature of the deficiencies noted above indicate that Department Purchasing Card Program controls, as designed and implemented, may not be sufficient to ensure the appropriateness of transactions or compliance with governing laws, rules, and other guidelines.

Recommendation: To provide adequate assurance that the Department’s Purchasing Card Program is operating as intended and that Purchasing Card activity is appropriate, efficiently executed, and in compliance with established controls and governing laws, rules, and other guidelines, we recommend that Department management reevaluate and appropriately revise Department procedures to strengthen controls in each of the areas noted above.

Finding No. 4: Purchasing Card Travel Charges

Department procedures require that a *State of Florida Voucher for Reimbursement of Travel Expenses* (travel voucher) be prepared regardless of whether the traveler is due reimbursement or simply declaring travel-related Purchasing Card charges and that the traveler must submit the travel voucher within five days of the last day of travel.

Department procedures were not adequate to ensure the timely preparation of travel vouchers or to detect when travel vouchers were not prepared. Specifically, our review of documentation related to 38 trips that took place during the audit period for which Purchasing Card charges were incurred disclosed the following:

- Although requested, for one trip that took place in October 2004, the Department did not provide a travel voucher.
- For 9 of the 38 trips, the travel vouchers were filed from 12 to 130 days after the travel occurred.
- For 7 of the 38 trips, the travel vouchers were prepared subsequent to audit inquiry, 465 to 709 days after the travel occurred. Each of these 7 trips related to the same traveler and, subsequent to our audit inquiry, Department staff identified additional instances in which this traveler did not prepare travel vouchers.

Since travel-related transactions are not approved through MFMP (as discussed in Finding No. 3), should the traveler fail to prepare a travel voucher, a traveler’s supervisor may never have the opportunity to authorize, or even be made aware of, travel expenses paid via a Purchasing Card.

Department *Purchasing Card Program Procedures* require the Travel Section within the Bureau of Finance and Accounting to compare each travel voucher with the Purchasing Cardholder’s monthly transactions. However (as discussed in Finding No. 3), the Travel Section only performs this comparison on a sample basis and, as such, would not review any travel-related Purchasing Card charges that were not recorded on the travel vouchers selected for review. Further, the Travel Section’s current review process would not detect unauthorized or unallowed travel-related Purchasing Card charges that were not reported on a travel voucher.

Recommendation: We recommend that Department management reinforce to all travelers the conditions for utilizing the Purchasing Card for travel and the five-day filing requirement for travel vouchers. In addition, we recommend that the Department’s Travel Section strengthen controls related to the monitoring process and not only compare the submitted travel vouchers to the monthly Purchasing Card transactions, but also identify all travel-related Purchasing Card transactions for which a travel voucher has not been submitted.

Other Administrative Functions

Finding No. 5: Cost-of-Care Fees

Effective July 1, 2004, pursuant to State law,⁴ when a child is placed into home detention, probation, or other supervision status with the Department, the court shall order the parent of such child to pay the Department a \$1 per day fee for the cost of the supervision of such child for each day that the child is in supervision status. When any child is placed into secure detention or placed on committed status and the temporary legal custody of such child is placed with the Department, the court shall order the parent of such child to pay the Department a \$5 per day fee

⁴ Section 985.2311, Florida Statutes. Previously, similar provisions were in Section 985.231, Florida Statutes; however, effective July 1, 2004, Chapter 2004-241, Laws of Florida, clarified the court’s authority to assess fees to parents and established additional requirements related to the assessment and collection of cost-of-care fees.

for the cost of the care of such child for each day that the child is in the temporary legal custody of the Department. The Department is responsible for billing, collecting, reporting, and managing the collection of fees.

Our audit inquiries and review of Department records and actions related to billing, collecting, reporting, and managing cost-of-care fees disclosed the following deficiencies:

- Although the Department had established *Recuperation of Cost of Care Fees* procedures effective June 2003, the procedures were not implemented or appropriately revised until February 2005.
- The Department’s Accounts Receivable Management System (ARMS) was not adequate to provide timely and useful information for control and management decision-making purposes. For example, the February 2005 Aging Accounts Receivable Report showed a balance of \$35 million; however, the Department considered this balance to be inaccurate since some of the accounts may have been entered in ARMS more than one time.
- Delinquent accounts had not been submitted to a collection agency⁵ or to DFS for further collection efforts.
- Accounts that were known to be uncollectible had not been submitted to DFS for approval to be written off.

In correspondence dated May 17, 2005, Department personnel indicated that ARMS “is still under development and is far from complete.” Department management also stated, “We have focused our attention on getting invoices distributed on a monthly basis in order to generate revenue to fund our \$2.8 million Cost of Care budget. Now that we are getting our invoices out monthly we have begun to focus our attention on other important issues such as write-offs, collections, and accurate reporting.”

⁵ Pursuant to Section 985.2311(9), Florida Statutes, the Department may employ a collection agency for fees that have gone delinquent 90 days or more.

Recommendation: We recommend that Department management continue efforts to implement procedures for billing, collecting, and accurately recording cost-of-care fees. In addition, the Department should ensure that ARMS data is accurate and useful for control and management decision-making purposes.

Finding No. 6: Salary Overpayments

The Department experiences a high turnover of employees. As of February 28, 2005, there were approximately 4,600 Department employees and, during the 20 months of the audit period, there were approximately 2,000 employee separations from Department employment. According to Department staff, as a result of this high turnover and due, in part, to the failure by supervisors to timely notify the Personnel Office of employee separations, salary overpayments have occurred.

The Department attempts to collect salary overpayments by sending notices of the overpayment to the former employee, notifying the former employee’s current State employer (for those employees that transfer to another State agency), and eventually turning the uncollected amounts over to DFS for collection.

To determine the extent of salary overpayments and the uncollected amounts outstanding, we requested a listing of salary overpayments. The list provided by the Department included 1,160 line items; however, a dollar amount was not listed for every line item nor was there any indication whether the overpayment had been collected. In response to audit inquiry, Department management indicated that the listing was not reliable as it did not accurately list the amounts or the status of collection attempts for salary overpayments.

Absent a reliable and comprehensive listing of the amounts of salary overpayments and status of collection attempts, Department management cannot be assured that all appropriate attempts to collect the overpayments have been made. In addition, Department management may not be able to readily

identify the areas of the Department where salary overpayments more frequently occur and, therefore, may not be able to provide appropriate instruction and training and adequately monitor staff responsible for overpayments that result from the lack of timely employee separation notifications.

Recommendation: To assist in the collection of salary overpayments and to aid Department management in their oversight role, we recommend that the Department develop a reliable and comprehensive listing of salary overpayments that includes the status of collection attempts.

Finding No. 7: Reconciliation of Surplus Motor Vehicle Proceeds

During the audit period, the Department was responsible for approximately 780 motor vehicles and, in accordance with State rules,⁶ the Department sought prior approval from DMS for the disposal of 75 surplus motor vehicles. According to Department records, 18 of the surplus vehicles were sold at auction and DMS forwarded proceeds to the Department; however, the Department did not reconcile the amounts reported by DMS as proceeds from the sales of motor vehicles to amounts subsequently received and recorded in FLAIR.

In response to audit inquiry, Department staff indicated that the Bureau of General Services receives motor vehicle sales reports from DMS and that the Bureau of Budget records amounts of funds transferred from DMS. However, Department staff within these two Bureaus did not share the information necessary to verify that appropriate amounts were received. Effective internal control procedures require that the Department prepare timely reconciliations of records of surplus motor vehicle sales proceeds with FLAIR. Such reconciliations would aid in the timely detection of any fraud or errors and would provide management with reasonable assurance that Department records are

accurate and complete and that the proper amounts of revenue are received.

Recommendation: To ensure that the proper amounts of surplus motor vehicle sales proceeds are received and appropriately recorded, we recommend that the Department timely perform reconciliations comparing the records of surplus motor vehicle sales proceeds to receipts and Department accounting records.

Finding No. 8: FLAIR Access Controls

The Department’s Bureau of Finance and Accounting maintains the FLAIR Access Control File that enables applicable Department employees to utilize various FLAIR components. However, Bureau of Finance and Accounting staff do not periodically review employee FLAIR access for appropriateness.

We examined the FLAIR access records of employees who had terminated employment with the Department. We noted seven instances in which a terminated employee’s FLAIR access was not timely removed. As of February 28, 2005, in these seven instances, the former employees’ FLAIR access had remained active from 172 to 3,798 days after termination. (According to Department records, one of these employees separated from Department employment on October 6, 1994.) In response to audit inquiry, Department staff indicated that in the past FLAIR access was “not cancelled without a written request from the PCPA or the employee’s supervisor. Procedures will be changed to include FLAIR access control personnel on the distribution list for terminated employees.”

Recommendation: To provide additional assurances regarding the integrity and security of Department accounting records, we recommend that the Department immediately remove an employee’s FLAIR access upon termination. In addition, Bureau of Finance and Accounting personnel should periodically obtain and review information related to Department employees’ FLAIR access needs.

⁶ DMS Rules, Chapter 60B-3, Florida Administrative Code.

Finding No. 9: Settlement Agreements

Pursuant to State law,⁷ prior to the rendering of services for contractual services agreements costing in excess of Category Two (\$25,000), both parties shall sign a written agreement or contract (except in the case of a valid emergency as certified by the agency head). The certification of an emergency shall be prepared within 30 days after the contractor begins rendering the service. It must state the particular facts and circumstances that precluded the execution of the written agreement prior to the rendering of the service. If an emergency does not exist, the agency head shall certify the specific conditions and circumstances which caused the noncompliance and describe the corrective action taken to prevent a recurrence of the noncompliance. This certification must also be prepared within 30 days after the contractor begins rendering the service. If the agency head has not, within 30 days after the contractor began rendering the service, certified a valid emergency or, in the absence of a valid emergency, certified the conditions and circumstances which caused the noncompliance, the only legal basis for making payment is a settlement agreement.⁸

The Department utilized settlement agreements during the audit period. However, the Department did not have an assigned section or unit to manage or oversee settlement agreements and had not formalized any uniform procedures related to settlement agreements. In addition, the Department did not maintain a complete and accurate list of the settlement agreements.

In a May 12, 2005, response to audit inquiry, Department personnel indicated that the Bureau of Finance and Accounting will be responsible for tracking and reporting settlement agreements on a monthly basis and will establish a mechanism to ensure completeness and accuracy.

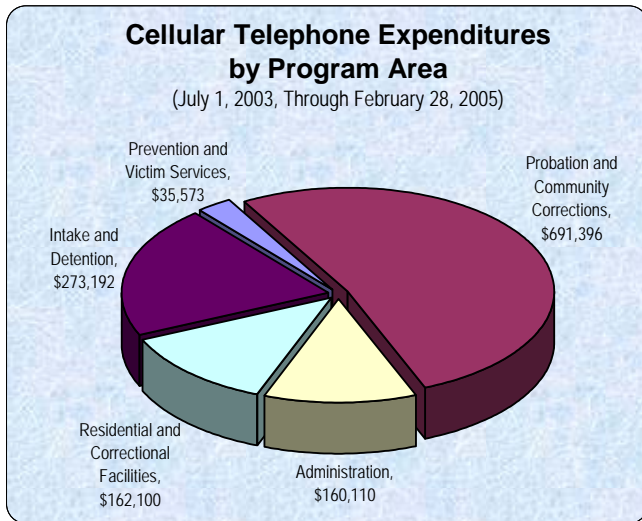
Recommendation: Department management should seek to minimize the use of settlement agreements through proper planning and the establishment of controls to ensure compliance with State purchasing law. However, for those instances in which settlement agreements are necessary, we recommend that Department management formalize and implement policies and procedures to ensure that settlement agreements are established in accordance with State law and are properly managed and controlled. In addition, any settlement agreement tracking system utilized by the Department should include, at a minimum, the agreement number, effective dates, and purpose; dates of approval by appropriate Department management; and the amount of payments made to date.

Finding No. 10: Cellular Telephones

To assist in the performance of their official duties, the Department provides cellular telephones and wireless handheld devices to many of the approximately 4,600 Department employees. As of February 25, 2005, Department records indicate that there were approximately 1,600 cellular telephones and wireless handheld devices assigned to employees. The Department has established a centralized Telecommunications Office within the Bureau of General Services to be responsive to the needs of Department program and facility staff. The Telecommunications Office provides technical assistance, a reference for centralized reporting, and coordination and advice on all communication matters.

During the audit period, the Department expended \$1.3 million for cellular telephone services and equipment. The amount of cellular telephone expenditures by Department program area is shown in the following graph:

⁷ Section 287.058(2), Florida Statutes.
⁸ Comptroller's Memorandum No. 07 (2002-03), *Contractual Services – Contracts Signed After Services are Rendered*.



Source: FLAIR records.

The decision to purchase a cellular telephone or handheld wireless device and to select the calling plan for a particular employee is made by supervisory staff in each bureau, region, or circuit. Department policies and procedures provide that cellular telephones are to be used only for Department business and that any personal calls are to be reimbursed by the employee to the Department.

Our review of cellular telephone and handheld wireless device use during the audit period, as well as our review of the implementation of Department-established policies and procedures, disclosed deficiencies that should be addressed to enhance cost effectiveness and ensure the safeguarding of assets. Specifically, we noted that:

- The Department does not maintain a comprehensive, up-to-date listing of all cellular telephones and wireless handheld devices that includes the name of the employee to whom the equipment is assigned.
- Department policies and procedures do not provide guidance regarding the determination of the need for a cellular telephone or handheld wireless device or the selection of a calling plan that is the most economical and best suited to the needs of the Department.
- Office of Telecommunications personnel do not review the selected calling plans to ensure that each plan is the most economical available to meet the needs of the Department. A review of the appropriateness of calling plans may identify the need for a plan with more shared minutes (or for

more accounts with fewer units) and additional charges may be avoided. For example, we noted that, on one cellular telephone invoice for an account with 27 units, shared plan minutes were exceeded by over 2,700 minutes resulting in additional charges totaling \$965. A more appropriate calling plan may have avoided the additional charges at the higher rates.

- Compliance with Department policies and procedures for reimbursement of personal cellular telephone use is not properly monitored. We noted 8 instances during our test of 10 personal-use reimbursements in which cellular telephone users reimbursed the Department at incorrect per minute rates. In each instance, the cellular telephone user reimbursed the Department for less than the rate required by Department policy.⁹

The lack of complete and accurate records relating to cellular telephones and wireless handheld devices, along with the absence of monitoring for the consistent application of procedures regarding reimbursement for the personal use of Department cellular telephones, limits Department management’s assurances related to the safeguarding of Department assets. Cellular telephones and wireless handheld devices may be considered “attractive” or “sensitive” items that, although they generally cost less than \$1,000, may require an additional layer of property accountability.¹⁰ With regard to handheld wireless devices, there is also a concern regarding the security for and retention of data stored in and transmitted by the devices. In addition, absent guidance regarding the determination of the need for a cellular telephone or handheld wireless device and the selection of the most economical plan that is best suited to the needs of the Department, Department management cannot be assured that the related procurement decisions are the most economical and cost effective.

⁹ FDJJ-7.03, *Documentation of Financial Transactions*, requires that personal usage be reimbursed at the per-minute rate that would have been applied if free minutes were exceeded.

¹⁰ Attractive or sensitive property can be characterized as "walk away" items or items that are prone to theft because they are not secured and are easily portable, expensive new technology, or adaptable to personal use.

Recommendation: To effectively safeguard Department equipment, as well as the data stored in and transmitted by wireless handheld devices, we recommend that the Department maintain a listing of cellular telephones and wireless handheld devices that identifies the employee to whom the equipment is assigned. In addition, to enhance cost-effectiveness, we recommend that the Department establish guidelines for the assignment of cellular telephones and wireless handheld devices and the selection of calling plans. We also recommend that the Department ensure that cellular telephone billings are effectively reviewed for the appropriateness of the charges and that any personal calls are appropriately reimbursed.

OBJECTIVES, SCOPE, AND METHODOLOGY

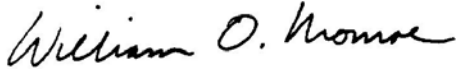
This operational audit focused on internal controls over selected administrative functions of the Department including Purchasing Card, cellular telephone, travel, surplus motor vehicle disposition, revenues and cash receipts, accounts receivable, settlement agreements, and specific transactions related to capital assets. Our objectives were:

- To evaluate the effectiveness of established internal controls in achieving management's control objectives in the categories of compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation of State government; the validity and reliability of records and reports; and the safeguarding of assets.
- To evaluate management's performance in achieving compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation of State government; the validity and reliability of records and reports; and the safeguarding of assets.

In conducting our audit, we interviewed Department personnel, obtained an understanding of internal controls, observed and documented key processes and procedures, examined selected transactions, and performed various other auditing procedures as necessary to accomplish the objectives of the audit. Our audit included examinations of various transactions (as well as events and conditions) occurring during the period July 1, 2003, through February 28, 2005, and selected actions taken through May 25, 2005.

AUTHORITY

Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



William O. Monroe, CPA
Auditor General

AUDITEE RESPONSE

In a response letter dated September 9, 2005, the Secretary of the Department generally concurred with our audit findings and recommendations. The Secretary's response is included in its entirety at the end of this report as Exhibit B.

To promote accountability in government and improvement in government operations, the Auditor General makes operational audits of selected programs, activities, and functions of State agencies. This operational audit was made in accordance with applicable **Government Auditing Standards** issued by the Comptroller General of the United States. This audit was conducted by Christi V. Alexander, CPA, and supervised by Sherrill F. Norman, CPA. Please address inquiries regarding this report to Dorothy R. Gilbert, CPA, Audit Manager, via e-mail (dorothygilbert@aud.state.fl.us) or by telephone (850) 488-5444.

This report and other audit reports prepared by the Auditor General can be obtained on our Web site (<http://www.state.fl.us/audgen>); by telephone (850) 487-9024; or by mail (G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450).

EXHIBIT A

STATE PURCHASING CARD GUIDELINES AND
DEPARTMENT PURCHASING CARD PROGRAM PROCEDURES

State Purchasing Card Guidelines		Department Purchasing Card Program Procedures	
<p>Section 2.3, Activity Monitoring and Transaction Approval</p> <p>Purchasing Card transactions will be available daily for review and verification before payment is approved. In the FLAIR Purchasing Card Module, eight levels of approval are available. Two of the levels are required for review and approval of transactions - Supervisor/Approver and Payer. There are five optional levels for transaction approval at the Supervisor/Approver level.</p> <p>Cardholder's Supervisor or Approver - to monitor Cardholder activity for appropriateness, approve transactions, enter or review purchasing information, add or change accounting information, and ensure that the Cardholder is reviewing transactions timely.</p>	<p>Section 7.0, Supervisor, Approver, and Liaison Responsibilities</p> <p>The Department has assigned Approver(s) to review and approve each Cardholder's Purchasing Card transactions. Although only one level of approval is required as a key control, the Department can assign up to five levels of approvers. Each region will develop its approval group assignments as needs dictate. The Supervisor is responsible for:</p> <ul style="list-style-type: none"> ➤ Deterring the employee's need for a Purchasing Card and recommending limitations and restrictions. ➤ Developing position descriptions which require compliance with applicable statutes and policies. ➤ Ensuring that the Department Purchasing Card Program Administrator (PCPA) and the Purchasing Card Liaison are notified of employee transfer or termination from Department employment. ➤ Monitoring Cardholder activity for appropriateness and compliance. ➤ Taking any necessary disciplinary action. 		
<p>Section 3.2, Cardholder Requirements</p> <p>Before a Purchasing Card is issued to a Cardholder, they must attend and complete training on the Purchasing Card Program. Cardholders must also understand and sign a Cardholder Agreement.</p>	<p>Section 6.1, Cardholder Requirements</p> <p>A Cardholder must be an employee of the Department in good standing, is or will be responsible for purchasing, must have attended and completed Cardholder training and passed an examination, and understood and signed the Cardholder Agreement.</p>		
<p>Section 1.4, Limits and Restrictions</p> <p>The primary advantages of the Purchasing Card Program are the various ways that limits and restrictions can be established - by agency and by Cardholder. The following limits can be uniquely established and are imposed at the point of sale:</p> <p><u>Spending amount per day, billing cycle, and month.</u> The Cardholder can only incur transactions totaling a predetermined dollar amount within any defined period.</p> <p><u>Single purchase amount.</u> A predetermined dollar amount for any single transaction, not to exceed \$1,000 per transaction. Cardholders should not split transactions to stay within their limits. (In Comptroller's Memorandum No. 04 [1998-99], <i>State Purchasing Card Program</i>, effective June 4, 1999, the Chief Financial Officer delegated the approval of single transaction limits to agencies.)</p> <p><u>Merchant Category Codes (MCC).</u> The MCC are assigned by VISA to a merchant which identifies the primary type of goods or service they provide. The MCC are designed to offer every combination possible.</p>	<p>FDJJ-7.05, Section 6, Restrictions and Limits</p> <p>Each Cardholder profile establishes the following spending limitations:</p> <ol style="list-style-type: none"> 1. Initial spending limits shall be up to \$1,000 per transaction and \$25,000 per month. Based on written justification submitted by the manager or designee, the agency head or designee may subsequently approve greater amounts up to \$25,000 per transaction and \$50,000 per month. (Note: The per-transaction spending limit had been increased in the Department's <i>Purchasing Card Program Agency Plan</i> to up to \$15,000 per transaction unless pre-approved for a greater amount justified in writing by the manager or designee.) 2. The restrictions on number of transactions may be requested by the supervisor and approved by the manager or designee in periods designated as per day, month, or cycle depending on the job requirements of each Cardholder. 3. The Department PCPA maintains a list of the Department's included/excluded merchants. The Department PCPA will modify this list as needed based on repeated rejections of MCC which are deemed necessary to fulfill the mission of the Department. 		
<p>Section 1.11, Reconciliation of Charge Receipts</p> <p>Each agency will reconcile FLAIR Purchasing Card Module reports against merchant receipts no less than monthly. Any suspicious or abnormal card usage found during the reconciliation process should be reported to the Agency PCPA.</p>	<p>Section 3.8, Reconciliation of Charge Receipts</p> <p>On a daily basis, the Approver(s) will review the FLAIR Purchasing Card Module, Cardholder's receipts, and the accompanying purchasing document to ensure compliance with purchasing or travel regulations and Purchasing Card Program Procedures. The Accounts Payable Section will conduct a monthly post-audit of Purchasing Card Module reports against Cardholder receipts. Any suspicious or abnormal card usage found during the reconciliation process will be reported to the Department PCPA.</p>		
<p>Section 4.2, Reconciler</p> <p>The Reconciler is an individual responsible for the reconciliation of Cardholder receipts and/or log to the FLAIR Purchasing Card Module activity reports. The agency reconciliation process is recommended weekly but no less than monthly and must be done within 10 days after the close of the business week or month.</p>	<p>Section 9.0, Reconciler Responsibilities</p> <p>Reconciliation of transactions to information in the FLAIR Purchasing Card Module is the responsibility of the Bureau of Finance and Accounting, Accounts Payable Section. This reconciliation consists of a post-audit review of Cardholders' receipts and supporting documentation to Purchasing Card reports. The reconciliation/post-audit review process will be done monthly and is conducted on all transactions with a charge date in the month.</p>		
<p>Section 1.13, Reports</p> <p>Reports will be generated by FLAIR and a detailed transaction listing will be available daily from the FLAIR Purchasing Card Module. Each business day, the FLAIR Purchasing Card Module will distribute information on Purchasing Card transactions. This information can be used by:</p> <ul style="list-style-type: none"> ➤ Cardholder to validate transactions for charges or credits. ➤ Supervisor or Approver to monitor and/or approve purchases being made. ➤ Agency PCPA to track daily activity. 	<p>Section 10.1 and Section 10.2, Monitoring for Compliance with Purchasing and Travel Regulations</p> <p>The Purchasing Section shall audit randomly selected transactions.</p> <p>In addition to the routine review of travel reimbursements for compliance with travel regulations, the Travel Section of the Bureau of Finance and Accounting shall compare each Request for Reimbursement of Travel Expenses with the Cardholder's transactions in the Monthly Purchasing Card Travel Report to ensure that the employee is not reimbursed for expenses already paid by the Purchasing Card.</p>		
<p>Section 1.7, Misuse</p> <p>The Purchasing Card is for official business use only and the purchase of personal or disallowable goods or services is prohibited. Misuse of the Purchasing Card may result in disciplinary action up to and including termination of employment. Cardholders may be required to reimburse the State, including sales tax, for any purchases that are found improper or not for official business use.</p>	<p>Section 6.2, Cardholder Misuse</p> <p>Cardholders are to follow applicable State purchasing and travel laws and regulations and State Purchasing Card Guidelines, as well as use good and reasonable judgment when using the Purchasing Card. Employees who misuse or abuse this privilege are subject to disciplinary action up to and including dismissal from employment.</p>		
<p>Section 1.2, Card Issuance and Cancellation</p> <p>Cardholders in each agency will be determined by the management team of that agency. The agency's PCPA is responsible for the issuance and cancellation of all cards.</p> <p>Purchasing Cards are canceled for the following reasons:</p> <ul style="list-style-type: none"> ➤ A change in the Cardholder's job status such that they no longer require a Purchasing Card. ➤ Separation from the agency for any reason. ➤ Cardholder misuse or untimely approval of transactions. 	<p>FDJJ-7.05, Section 12, Purchasing Card Cancellations</p> <p>Separation from employment or transfer - Prior to an employee's separation from employment, the supervisor shall notify the Purchasing Card liaison and the Department PCPA in writing, advising them of the effective date of the action. Upon such separation, the Cardholder shall return the card to their supervisor who will immediately cut the card in half and forward it to the Department PCPA.</p> <ul style="list-style-type: none"> ➤ If the Cardholder is being transferred to another program/budget entity and is to be a Cardholder in that area, the Cardholder's new supervisor shall notify the Purchasing Card Liaison to update the Cardholder's profile with the new accounting codes and applicable limitations. The Purchasing Card Liaisons will track and distribute transactions to the appropriate organizational units until all transactions from the previous unit have been processed. ➤ Bi-weekly, the Department PCPA shall review personnel actions and compare employee separations and transfers against the Cardholder profiles to verify that Cardholder accounts have been appropriately canceled. 		

EXHIBIT B

AUDITEE RESPONSE



FLORIDA DEPARTMENT OF JUVENILE JUSTICE
Jeb Bush, Governor **Anthony J. Schembri, Secretary**

September 9, 2005

William O. Monroe, Auditor General
 G74 Claude Pepper Building
 111 West Madison Street
 Tallahassee, Florida 32399-1450

Dear Mr. Monroe:

We have provided our response and proposed corrective actions for Department of Juvenile Justice Selected Administrative Functions for the period July 1, 2003, through February 28, 2005, and Selected Department actions taken through May 25, 2005 Pursuant to Section 11.45(4)(d), Florida Statutes.

Finding 1: Building Valuation

Recommendation: We recommend that Department staff thoroughly review each factor used in the historical cost estimate for each building and, if discrepancies are noted, ensure that the appropriate amounts are recorded in the FLAIR Property Subsystem.

Response:

We concur. The Bureau of General Services will review over the next twelve months all building records to ensure that all cost factors are correct and that all entries are recorded properly in the FLAIR Property Subsystem.

Recommendation: We further recommend that the Department ensure that the documentation used in the historical cost estimate for each building is appropriately retained.

Response:

We concur. The Bureau of General Services constructed folders organized by county then facility to appropriately document all building valuations and to retain this information on file as supporting documentation. The Bureau dedicated a file cabinet for the sole purpose of maintaining these records and has completed the task based on this recommendation.

Recommendation: For all future building acquisitions, we recommend that the Department ensure that sufficient documentation evidencing the actual historical cost of the building is retained and that the cost is accurately and timely recorded in Department accounting records.

Response:

We concur. The Bureau of General Services will ensure that sufficient documentation is retained on all future building acquisitions and that the cost is timely reported in Department accounting

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The mission of the Department of Juvenile Justice is to protect the public by reducing juvenile crime and delinquency in Florida.

EXHIBIT B

AUDITEE RESPONSE

William O. Monroe
 September 9, 2005
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records. A file will be constructed for all new programs within the Department or if a building is added to a program all associated documentation will be added to the current file.

Finding 2: Accumulated Depreciation

Recommendation: To ensure that Department capital assets are properly reported, Department accounting staff should ensure that accumulated depreciation is appropriately adjusted for financial reporting purposes.

Response:

We concur. The Bureau of General Services will review each property record for our buildings and make the appropriate adjustments to correct the accumulated depreciation amounts. We plan to have this item corrected in the next 90 days.

Finding 3: Purchasing Card Program

Recommendation: To provide adequate assurance that the Department's Purchasing Card Program is operating as intended and that Purchasing Card Activity is appropriate, efficiently executed, and in compliance with established controls and governing laws, rules, and other guidelines, we recommend that Department management reevaluate and appropriately revise Department procedures to strengthen controls in each of the areas noted: Approval Process; Cardholder Agreements; Spending Limits; Reconciliation and Monitoring Activities; and Cancellations.

Response:

We concur. The Department has already begun to reevaluate its procedures. Also, with the implementation of ASPIRE on July 1, 2006, major changes in policies and procedures will be mandated.

Finding 4: Purchasing Card Travel Charges

Recommendation: We recommend that Department management reinforce to all travelers the conditions for utilizing the Purchasing Card for travel and the five-day filing requirement for travel vouchers.

Response:

We concur. Bureau of Finance and Accounting staff conducts supervisory travel training quarterly. Additional emphasis will be placed on the conditions in which the Purchasing Card may be used for travel expenses and the required timeframes for submitting requests for travel reimbursements. Additionally, purchasing card applicants are required to attend travel training and pass a test before they are issued a card. The training and the test cover both the conditions and the requirements, which will receive additional emphasis.

Recommendation: We recommend that the Department's Travel Section strengthen controls related to the monitoring process and not only compare the submitted travel vouchers to the monthly Purchasing Card transactions, but also identify all travel-related Purchasing Card transactions for which a travel voucher has not been submitted.

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AUDITEE RESPONSE

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Response:

We concur. The Travel Section has been instructed to identify all travel-related Purchasing Card transactions for which a travel voucher has not been submitted. This will become a permanent part of the responsibilities of the Travel Section and reports will be maintained to ensure compliance.

Finding 5: Cost-of-Care Fees

Recommendation: We recommend that Department Management continue efforts to implement procedures for billing, collecting, and accurately recording cost-of-care fees.

Response:

We concur. Department Management has had a committee in place for several years to ensure that the Cost of Care (COC) accounts are properly established, billed, collected and accurately recorded. Much progress has been made. The COC Committee continues to meet on a monthly basis to address issues as they arise, to implement changes as necessary, and to improve the system. The committee will continue its efforts to ensure the completion of a successful system.

Recommendation: The Department should ensure that ARMS data is accurate and useful for control and management decision-making purposes.

Response:

We concur. Department management has created a Project Status Tracking Report, which contains all of the items that are deemed necessary to complete the COC system. The project is monitored and updated as items are completed. Once all items are completed, ARMS data will be accurate and can be relied upon for decision-making purposes. MIS is restructuring the database to ensure that reporting and tracking mechanisms are in place.

Finding 6: Salary Overpayments

Recommendation: To assist in the collection of salary overpayments and to aid Department management in their oversight role, we recommend that the Department develop a reliable and comprehensive listing of salary overpayments that includes the status of collection attempts.

Response:

We do have a spreadsheet that tracks all overpayments and collection efforts according to Department of Financial Services procedures. In the past year, since the HR outsourcing, the lack of staff has not allowed us to monitor and update it as needed however, within the last month we hired an OPS employee whose primary duty is addressing the overpayment situation and updating the logs as necessary.

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AUDITEE RESPONSE

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Ongoing training is being conducted with all supervisors to ensure Personnel Action Requests for employee separations are submitted timely to avoid overpayments.

Finding 7: Reconciliation of Surplus Motor Vehicle Proceeds

Recommendation: To ensure that the proper amounts of surplus motor vehicle sales proceeds are received and appropriately recorded, we recommend that the Department timely perform reconciliations comparing the records of surplus motor vehicle sales proceeds to receipts and Department accounting records.

Response:

We concur. The Bureau of General Services will revise policy FDJJ – 1306, Vehicle Operations, to properly outline the reconciliation process for the sale of the Department's surplus motor vehicles. We plan to have this policy updated in the next twelve months.

Finding 8: FLAIR Access Controls

Recommendation: To provide additional assurances regarding integrity and security of Department accounting records, we recommend that the Department immediately remove an employee's FLAIR access upon termination. In addition, Bureau of Finance and Accounting personnel should periodically obtain and review information related to Department employees' FLAIR access needs.

Response:

We concur. With the transaction from COPES to People First, the Department was unable to obtain reports from the system that were necessary to identify terminations. The reporting problem has been corrected and we can now receive the reports we need. The Bureau of Finance will periodically review information to determine employees' FLAIR access needs.

Finding 9: Settlement Agreements

Recommendation: Department management should seek to minimize the use of settlement agreements through proper planning and the establishment of controls to ensure compliance with State purchasing law. However, for those instances in which settlement agreements are necessary, we recommend that Department management formalize and implement policies and procedures to ensure that settlement agreements are established in accordance with State law and are properly managed and controlled. In addition any settlement agreement tracking system utilized by the Department should include, at a minimum, the agreement number, effective dates, and purpose; dates of approval by appropriate Department management; and the amount of payments made to date.

Response:

We concur. The Bureau of Finance and Accounting has been designated as the unit responsible for tracking all settlement agreements. The Bureau has developed a mechanism to track and ensure that settlement agreements are established in accordance with State law.

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AUDITEE RESPONSE

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Finding 10: Cellular Telephones

Recommendation: To effectively safeguard Department equipment, as well as the data stored in and transmitted by wireless handheld devices, we recommend that the Department maintain a listing of cellular telephones and wireless handheld devices that identify the employee to whom the equipment is assigned.

Response:

We concur. The Department will develop and maintain a listing of cellular telephones and wireless handheld devices. This listing will be developed and maintained by the Support Services Section, Bureau of General Services. We plan to have this list completed within the next three months.

Recommendation: To enhance cost-effectiveness, we recommend that the Department establish guidelines for the assignment of cellular telephones and wireless handheld devices and the selection of calling plans.

Response:

We concur. The Bureau of General Services will revise policy FDJJ – 1309, Telecommunications, to include guidelines for the assignment of cellular telephones and wireless handheld devices and the selection of calling plans. We plan to have this policy updated in the next twelve months.

Recommendation: We also recommend that the Department ensure that cellular telephone billings are effectively reviewed for appropriateness of the charges and that any personal calls are appropriately reimbursed.

Response:

We concur. The procedure for ensuring that cellular telephone bills are properly reviewed and that personal call are reimbursed will be addressed in the updated Telecommunications policy. We plan to have this policy updated in the next twelve months.

If additional information is needed, please contact Jane McElroy, Director of Administration at 921-3048.

Respectfully,



Anthony J. Schembri
Secretary

- cc: Deputy Secretary Steve Casey
Director Jane McElroy, Office of Administration
Chief Bill Smith, Finance and Accounting
Chief Jeff Nichols, General Services
Acting Inspector General Steve Meredith