

**OFFICE OF EARLY LEARNING AND
SELECT EARLY LEARNING COALITIONS**

FOLLOW-UP ON PRIOR AUDIT FINDINGS

Operational Audit



OFFICE OF EARLY LEARNING AND SELECT EARLY LEARNING COALITIONS

Effective July 1, 2011, and allowing for a 3-month transition period ending October 1, 2011, Chapter 2011-142, Laws of Florida, transferred the Office of Early Learning (OEL) from the former Agency for Workforce Innovation to the Department of Education (DOE). Pursuant to Section 20.15(3)(h), Florida Statutes, the OEL is a separate budget entity and is not subject to control, supervision, or direction by the DOE or the State Board of Education in any manner including, but not limited to, personnel, purchasing, transactions involving personal property, and budgetary matters. The Director of the OEL is to be appointed by the Governor and confirmed by the Senate. During the period of our audit, Brittany Birken, Matthew Guse (Interim), and Dr. Melody Jurado, (effective September 15, 2011, through December 6, 2012) served as Directors of the OEL.

In addition to the OEL, we performed audit procedures with respect to 10 of the State's 31 early learning coalitions. Those coalitions, and the coalition executive directors who served during the period of our audit, were:

Early Learning Coalition	Executive Director
Big Bend Region	Lauren Faison
Escambia County	Bruce Watson from August 9, 2012 Diane Hutcherson through August 8, 2012
Hillsborough County	Dave McGerald
Marion County	Roseann Fricks
Miami-Dade/Monroe	Evelio C. Torres
Orange County	Karen Willis
Palm Beach County	Warren Eldridge
Pinellas County	Janet Chapman
Polk County	Gilbert Rincon from September 1, 2012 Kris Giordano through August 31, 2012
Southwest Florida	Dr. Kathleen Reynolds

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**OFFICE OF EARLY LEARNING AND
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Follow-Up on Prior Audit Findings

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OFFICE OF EARLY LEARNING AND SELECT EARLY LEARNING COALITIONS

Follow-Up on Prior Audit Findings

SUMMARY

In our report No. 2012-061, we noted areas in which the efficiency and effectiveness of the State's early learning program administration and accountability could be enhanced. Specifically, we noted that the Office of Early Learning (OEL) did not always provide the oversight necessary for the effective and efficient administration of the School Readiness and Voluntary Prekindergarten Education (VPK) Programs and had not implemented the necessary Statewide measures to determine whether legislative objectives were being met, measure School Readiness Program successes, and assess the effectiveness of the investments made. We also disclosed deficiencies in early learning coalition financial management, operations, School Readiness and VPK Program administration, and information technology practices, as well as instances of noncompliance with State laws and Federal regulations.

This operational audit of the OEL and select early learning coalitions focused on evaluating the actions taken by the OEL and coalitions to correct deficiencies disclosed in our report No. 2012-061. We performed audit procedures at the OEL and select audit procedures with respect to ten of the State's early learning coalitions.

Our audit disclosed that, while steps had been taken by the OEL and early learning coalitions to address findings included in our report No. 2012-061, opportunities continue to exist to enhance the efficiency and effectiveness of early learning program administration and accountability.

Office of Early Learning

Finding No. 1: The OEL did not conduct data matches between School Readiness Program information and Reemployment Assistance (RA) payment data. Our comparison of Program information and RA payment data identified individuals who potentially were improperly receiving Program benefits under a work-dependent eligibility category while also collecting RA benefits.

Finding No. 2: The formula utilized for allocating School Readiness Program funds among the coalitions for the 2012-13 fiscal year did not appear to fully comply with the statutory framework or be consistent with legislative intent. Additionally, the formula incorporated a factor that did not clearly relate to the purpose of the Program and statutory requirement of equity for each county, did not utilize the most current data available, and contained an error which resulted in an under-allocation to the Hillsborough County Coalition.

Finding No. 3: The Early Learning Information System (ELIS) project will incur costs totaling an estimated \$3.4 million that may have been avoidable.

Finding No. 4: The OEL's fiscal guidance for coalition tangible personal property did not always reflect current operational practices.

Finding No. 5: While progress had been made to address deficiencies related to the establishment of Statewide outcome measures and a Statewide Quality Rating and Improvement System (QRIS) for the School Readiness Program, further efforts are necessary.

Early Learning Coalitions

Finding No. 6: Miami-Dade/Monroe Coalition's School Readiness Program waiting list did not appear to have been managed in accordance with applicable Federal regulations and OEL Rules.

Finding No. 7: Some coalitions did not maintain documentation demonstrating that all employees timely received background screenings as a condition of employment and continued employment.

Finding No. 8: Some coalition tangible personal property records did not include for all property items information required by Federal regulations and OEL guidance. Additionally, some coalition tangible personal property procedures did not include all Federal, State, and OEL requirements.

Finding No. 9: Marion County Coalition’s information technology security control policies and procedures did not reflect current Coalition practices.

BACKGROUND

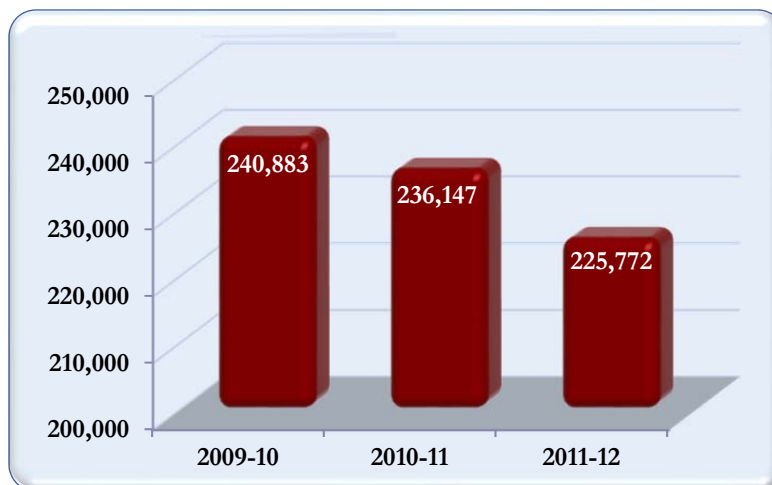
The Office of Early Learning (OEL), in cooperation with the Department of Education (DOE) and the Department of Children and Families (DCF), is responsible for the administration of the State’s primary early education programs, the School Readiness and Voluntary Prekindergarten Education (VPK) Programs, which are described in more detail below. The State’s 31 early learning coalitions are responsible for the delivery of program services at the local level.

Prior to July 1, 2011, the OEL was included in the organizational structure of the former Agency for Workforce Innovation. Effective July 1, 2011, and allowing for a 3-month transition period ending October 1, 2011, Chapter 2011-142, Laws of Florida, transferred the OEL to the DOE. Pursuant to State law,¹ the OEL is a separate budget entity and is not subject to control, supervision, or direction by the DOE or the State Board of Education in any manner including, but not limited to, personnel, purchasing, transactions involving personal property, and budgetary matters. The Director of the OEL is to be appointed by the Governor and confirmed by the Senate.

School Readiness Program

The School Readiness Program was designed to prepare children for school while enabling parents to work and become financially self-sufficient. The Program provides subsidies for early childhood education and child care services to targeted populations based on need. Pursuant to State law,² these targeted populations include the children of low-income families; children in protective services who are at risk of abuse, neglect, or abandonment; and children with disabilities. Chart 1 shows the number of children served by the School Readiness Program during the 2009-10, 2010-11, and 2011-12 fiscal years.

**Chart 1
Number of Children Served by the School Readiness Program
by State Fiscal Year**



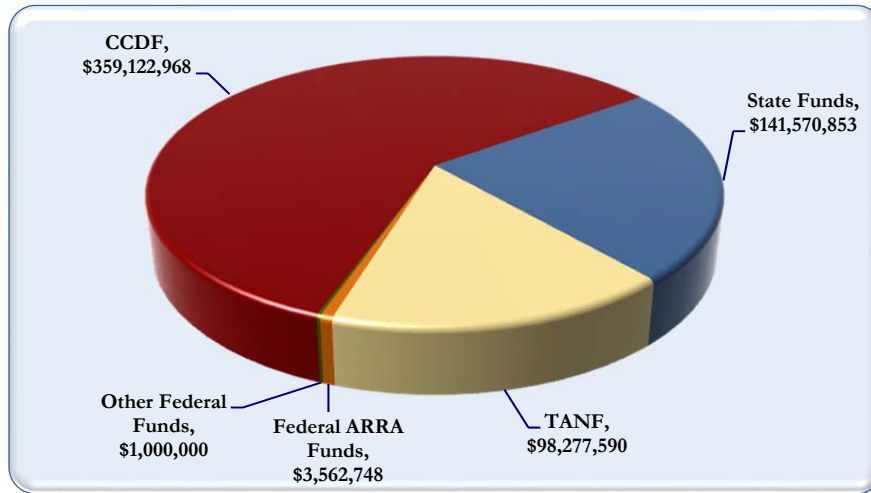
Source: OEL-provided data.

¹ Section 20.15(3)(h), Florida Statutes.

² Section 411.01(6), Florida Statutes.

As shown in Chart 2, \$603 million in 2012-13 fiscal year funding for the School Readiness Program was provided by Federal and State sources, including the Federal Child Care and Development Fund (CCDF) Block Grant, the Federal Temporary Assistance for Needy Families (TANF) Program, the non-recurring Federal American Recovery and Reinvestment Act (ARRA), State General Revenue, and other Federal funds.

Chart 2
School Readiness Program Funding for the 2012-13 State Fiscal Year



Source: OEL-provided funding data.

The OEL distributes School Readiness Program funding to the early learning coalitions utilizing the School Readiness funding formula, which pursuant to State law³ is to be based upon “equity for each county.” The coalitions then distribute funds to contracted third-party providers and local child care providers.

Voluntary Prekindergarten Education Program

The State Constitution⁴ requires that every 4-year-old child in the State be provided a prekindergarten learning opportunity in the form of an early childhood development and education program. The program is to be voluntary, high quality, free, and delivered according to professionally accepted standards.

Pursuant to State law,⁵ the OEL administers the operational requirements of the Voluntary Prekindergarten Education (VPK) Program at the State level and manages the day-to-day operations of the Program, including policy development, fiscal management, and oversight of the 31 coalitions and network of local VPK providers. As with the School Readiness Program, coalitions are responsible for implementing the VPK Program at the local level. Local oversight of the VPK Program is divided, with coalitions providing administration over privately provided programs and school districts overseeing public school programs.

FINDINGS AND RECOMMENDATIONS

Office of Early Learning

The Office of Early Learning (OEL) is primarily responsible for the administration of all early learning programs in the State, and as the designated lead agency for the Child Care and Development Fund (CCDF) Block Grant, is

³ Section 411.01(9)(c), Florida Statutes.

⁴ Article IX, Section 1(b) and (c) of the State Constitution.

⁵ Section 1002.75, Florida Statutes.

responsible for ensuring that the School Readiness Program is administered in accordance with applicable Federal requirements and the provisions of the State CCDF Plan. Pursuant to State law,⁶ the OEL is responsible for establishing a unified approach to the State's efforts toward enhancement of school readiness. Among the many OEL responsibilities included in law are the establishment of a formula for the allocation of all School Readiness Program funds based upon equity for each county, establishment of a single Statewide information system, and adoption of performance standards and outcome measures.

Finding No. 1: Potential Improper School Readiness Program Payments

To ensure accountability in the provision of School Readiness Program child care subsidies, it is critical that the OEL avail itself of data analysis techniques designed to indicate potential impropriety within the Program. We disclosed in our report No. 2012-061, finding No. 2, that the OEL had not conducted data matches between School Readiness Program information and unemployment insurance (UI) benefit payment data. We also reported that our comparison of School Readiness Program information and UI benefit payment data for the period July 2008 through April 2011 had identified 16,589 individuals who received School Readiness Program benefits totaling \$39.8 million under a work-dependent eligibility category while also collecting UI benefit payments totaling \$54.2 million.

In our report No. 2012-061, we recommended that, to identify possible improper School Readiness Program payments, the OEL routinely conduct data matches between Program information and UI benefit payment data. We also recommended that the OEL continue to pursue the investigation of the potential improper payments we identified.

As part of this audit, we performed procedures to determine whether the OEL had performed any data matches or taken further actions related to the potential improper School Readiness Program payments we identified in our report No. 2012-061. We noted that, for the 16,589 individuals we identified as potentially receiving improper School Readiness Program or UI benefits, the OEL had selected for further review those School Readiness Program cases that had not exceeded the 3-year statute of limitations for prosecution, were for active Program participants, and for which the potential loss was greater than \$3,000. The OEL's review resulted in the referral of 546 cases determined to be intentional Program violations to the Department of Financial Services, Division of Public Assistance Fraud, for further investigation. Additionally, the OEL referred 329 cases to the Department of Economic Opportunity (DEO), Benefit Payment Control Section, for Reemployment Assistance (RA)⁷ fraud investigation. On July 3, 2012, the OEL had also executed a data sharing agreement with the DEO and the Department of Revenue to provide the OEL employer and wage information, as well as RA payment data, for use in the detection, investigation, and prevention of fraud in the School Readiness Program.

However, we also noted that, as of October 2012, the OEL had not conducted the recommended data matches between School Readiness Program information and RA payment data. In response to our audit inquiry, OEL management indicated that due to technological challenges, staffing and resource restrictions brought about by the implementation of the Early Learning Information System (ELIS), and the uncertainty of how many matches would be returned, its data matching activities were still in development.

In the absence of a data match performed by the OEL, we compared School Readiness Program data for the period July 2011 through June 2012 to RA payment information maintained by the DEO and identified 4,894 individuals who had potentially received improper subsidized child care benefits under work-dependent eligibility categories

⁶ Section 411.01(4)(d)3., Florida Statutes.

⁷ Pursuant to Chapter 2012-30, Laws of Florida, effective July 1, 2012, the State's Unemployment Compensation Program was renamed the Reemployment Assistance Program.

during periods of time for which they were also collecting RA benefits. In these instances, we noted that the School Readiness Program child care subsidies ranged from \$4 to \$23,509 and totaled \$7.9 million and the RA payments ranged from \$54 to \$14,300 and totaled \$11.4 million. A comparison, by name and early learning coalition, of the 4,894 individuals to OEL records disclosed that 327 of the individuals had been previously referred by the OEL to the Department of Financial Services, Division of Public Assistance Fraud, for investigation. Of the 327 individuals, 316 had been identified during the conduct of our prior audit.

Based on the results of our analysis, further investigation of the records is necessary to determine the extent of improper School Readiness Program payments. Florida's 3-year statute of limitations on felony prosecutions of public assistance fraud⁸ makes it critical that fraud detection procedures be routinely performed and that any potential fraud be timely investigated.

Recommendation: We again recommend that the OEL routinely conduct data matches between School Readiness Program information and RA payment data in order to ensure the proper payment of School Readiness Program benefits under work-dependent eligibility categories.

Finding No. 2: School Readiness Funding Formula

Effective July 1, 2010, State law⁹ required that the OEL, subject to legislative notice and review, establish a formula for allocating among the coalitions all State and Federal funds for children participating in the School Readiness Program, whether served by a public or private provider, based upon "equity for each county." The formula must be submitted to the Governor and the chairs of the House of Representatives and Senate committees addressing appropriations matters no later than January 1st of each year. If the Legislature specifies changes to the allocation formula, the law requires that the OEL allocate funds as specified by the Legislature in the General Appropriations Act.

In our report No. 2012-061, finding No. 12, we disclosed that the OEL could not demonstrate that the 2011-12 fiscal year formula submitted for use in allocating School Readiness Program funds to the coalitions was based upon the statutory requirement of equity for each county. We recommended that the State utilize and document a formula that fully conformed to the requirements of State law.

As detailed in **EXHIBIT A** of this report, our audit of the 2012-13 fiscal year formula utilized to allocate to the coalitions over \$547 million in School Readiness Program funds found that efforts had been made to implement and document a formula that fully conformed to the requirements of State law.

However, we also noted that the 2012-13 fiscal year formula implemented by the OEL did not appear to fully comply with the existing statutory framework or be consistent with Legislative intent. Additionally, it was not apparent how all of the formula's factors clearly related to the Program's purpose or satisfied the statutory requirement of equity for each county. Lastly, the formula did not incorporate the most current data available and contained an error which resulted in an under-allocation of \$101,899 to the **Hillsborough County Coalition**. Subsequent to our audit inquiry, the OEL corrected the error and corresponding allocation of School Readiness Program funds. The details of these deficiencies are as follows:

⁸ Section 414.39(5)(b), Florida Statutes, provides that any person who wrongfully receives public assistance of an aggregate value of \$200 or more in any 12 consecutive months shall have committed a third degree felony. Section 775.15(2)(b), Florida Statutes, provides that prosecution of any non-first degree felony must be commenced within 3 years after it is committed.

⁹ Section 411.01(9)(c), Florida Statutes.

- **Statutory Framework Compliance.** On December 20, 2011, the OEL submitted a proposed 2012-13 fiscal year funding formula to the Governor, chair of the Senate Budget Committee, and chair of the House of Representatives Appropriations Committee. Different from the previous years’, the 2012-13 fiscal year formula anticipated a 3-year phase-in approach, whereby the State would move in equal increments toward an allocation of School Readiness Program funds solely based on current county demographic data for children and families. The formula utilized demographic data estimates prepared in August 2011 by the Office of Economic and Demographic Research (EDR) as the basis for the 2012-13 fiscal year allocations. Table 1 shows the four data factors incorporated into the formula for each county, as well as the relative percentage each factor counted toward the demographics-based portion of the formula.

Table 1
December 2011 School Readiness Funding Formula
Demographics-Based Factors

Demographics-Based Factors Utilized for Each County	Percentage of Demographics-Based Allocation
Number of children birth to 5 years old.	30 percent
Number of children birth to 5 years old at or below 150 percent of the Federal poverty level (FPL).	25 percent
Number of children birth to 5 years old at or below 200 percent of the FPL.	25 percent
Number of children 6 to 12 years old at or below 200 percent of the FPL.	20 percent

Source: December 2011 OEL funding formula documentation.

Additionally, the OEL’s proposed formula applied the 2011-12 fiscal year district cost differential¹⁰ to each county’s allocation in an effort to account for child care cost variances across the State.

Subsequently, on March 9, 2012, House Bill No. 5103 (2012) was passed by the Florida House of Representatives and Senate providing for the creation of a School Readiness Allocation Conference (Conference). The Bill required the OEL to submit for the Conference’s review and approval a recommended formula for allocating among the coalitions the School Readiness Program funds provided in the General Appropriations Act (GAA). The OEL was to submit the recommended formula by May 31, 2012, and by January 1st of each year thereafter.

On April 17, 2012, the Governor signed the 2012-13 fiscal year GAA.¹¹ Language in the GAA stated that funds included in the appropriation for the School Readiness Program were to be allocated to the coalitions as provided for in House Bill No. 5103 based on funding formula recommendations made by the OEL to the Conference. The GAA also provided that should the Conference principals be unable to agree on the recommended formula and allocations for the 2012-13 fiscal year, the 2012-13 allocations were to be calculated “in the same manner as the 2011-2012 allocations.”

However, on April 20, 2012, the Governor vetoed House Bill No. 5103, thus the Conference never conferred to agree on a new funding formula. On June 25, 2012, after efforts were reported by OEL management to develop a funding formula that would adhere to statutory requirements while mitigating potential negative impacts to Program services, OEL management officially released the funding formula for the 2012-13 fiscal year. The formula differed from the formula that the OEL had submitted to the Governor and Legislature in December 2011 only in that it required a 6-year phase-in period with a 10 percent shift to current demographics-based funding during the first year (the 2012-13 fiscal year) rather than a 3-year equal phase-in period.

¹⁰ Florida school districts receive State funding through the Florida Education Finance Program (FEFP) to serve prekindergarten through 12th grade students. To provide equalization of educational opportunity in Florida, the FEFP formula recognizes, among other things, district cost differentials, which are to be annually computed by the Commissioner of Education.

¹¹ Chapter 2012-118, Laws of Florida.

The Legislature's efforts to construct a new funding formula development method in House Bill No. 5103, and the GAA requirement that the 2012-13 fiscal year allocations be calculated in the same manner as the 2011-12 fiscal year allocations should the Conference principals be unable to agree on a formula, demonstrated clear legislative intent to alter in accordance with statutory requirements the formula submitted by the OEL in December 2011. Consequently, the OEL's implementation of a funding formula shortly before the start of the 2012-13 fiscal year which did not provide for allocations consistent with the GAA requirements appeared to be beyond the framework established by State law.

- **Program Purpose and Equity for Each County.** As described in the **BACKGROUND** section of this report, the School Readiness Program provides subsidies for early childhood education and child care services to targeted populations, including children of low-income families; children in protective services who are at risk of abuse, neglect, or abandonment; and children with disabilities. Consequently, it was not evident how the inclusion of the estimated *total* number of children birth to 5 years of age, by county, as one of the four demographics-based factors in the 2012-13 fiscal year funding formula related to the purpose of the Program and achievement of the statutory requirement of equity for each county.
- **Incorporation of Current Data.** Although the formula was not finalized until June 2012, the OEL elected to not incorporate the most current district cost and demographic data available at the time of implementation. On April 24, 2012, legislative staff provided the OEL with district cost differential information for the 2012-13 fiscal year. On May 16, 2012, the OEL received updated demographic estimates prepared in May 2012 by the EDR. However, for the 2012-13 fiscal year formula the OEL relied on 2011-12 fiscal year district cost differential information and demographic data estimates prepared in August 2011 by the EDR.

In response to our audit inquiry, OEL management indicated that, to minimize the impact to Program services, they wanted to eliminate as many variables as possible from the December 2011 proposed funding formula while also increasing the time frame over which the allocations were changed. While we recognize that the circumstances which made it possible for the OEL to consider updated district cost and demographic data were unique, it was not clear why the OEL would not avail itself of the most current data available.

- **Data Accuracy.** A portion of the demographic data utilized by the OEL in the 2012-13 fiscal year funding formula did not agree with the data provided by the EDR, resulting in an under-allocation of funds totaling \$101,899 to the **Hillsborough County Coalition** and proportional over-allocation of funds to the State's remaining 30 coalitions. Subsequent to our audit inquiry, OEL management informed the Coalition in August 2012 of the error and indicated that the necessary funds had been identified should the Coalition determine the need. Subsequently, in October 2012, the OEL updated the allocation of School Readiness Program funds to all 31 of the State's early learning coalitions, correcting the error in the corresponding allocation amounts.

Recommendation: We recommend that the State continue efforts to utilize a School Readiness Program funding formula that fully conforms to the requirements of State law.

Finding No. 3: Early Learning Information System (ELIS)

Effective April 2010, the OEL executed a contract with Hewlett-Packard (HP) to implement the Early Learning Information System (ELIS), a Web-based data system that, as of October 2012, was still in the development phase. Once completed, ELIS is intended to serve as a comprehensive, Web-based, central information system that will support the OEL's mission of delivering quality School Readiness and VPK Programs. ELIS is expected to provide a unified, cohesive data system for accessing, managing, storing, and sharing programmatic, administrative, financial, and outcome data related to the State's early learning programs.

In our report No. 2012-061, finding No. 4, we disclosed that implementation of ELIS was behind schedule and trending negatively with regard to the planned implementation date and cost. Specifically, we noted that, although the original planned Statewide implementation date for ELIS was June 28, 2012, the July 8, 2011, assessment prepared by

the ELIS project's independent monitor forecasted October 5, 2013, 66 weeks beyond the project's original planned implementation date, as the ELIS Statewide implementation date. The assessment also indicated that, at the time, the ELIS project team was not operating as a single integrated team, aligned with the objectives of the ELIS project.

As part of our current audit, we reviewed ELIS project documentation to evaluate the status of system development and noted that:

- On November 14, 2011, the OEL approved HP's corrective action plan (CAP) to address ongoing project issues.
- As a result of the CAP and corresponding realignment of the project, in January 2012, the OEL also forecasted a revised Statewide implementation date of June 2013.
- The ELIS project successfully exited the 60-day CAP cure period and that the project's independent monitor, in a September 2012 assessment report, indicated that the project management office and system integrator (HP) had established themselves as a single team in support of ELIS.

However, we also noted that October 2012 project documentation indicated that Statewide implementation of ELIS was behind the revised schedule, with completion projected for July 2013 and that the project will incur costs totaling approximately \$3.4 million that may have been avoidable. Specifically:

- Under the terms of the original contract, after Statewide implementation of ELIS, HP was to provide 22 months of maintenance and operations services at a cost of \$2.4 million. The maintenance and operations period was scheduled to begin March 2012 and conclude December 2013. In January 2012, after resolution of the CAP, the OEL entered into a revised contract which required HP to provide 11 months of maintenance and operations services. However, despite the reduction in the period over which HP was to provide maintenance and operations services, the cost of the services to the OEL remained at \$2.4 million. In response to our audit inquiry as to why the period for maintenance and operations services to be provided by HP was reduced by half without a corresponding reduction in contract price (i.e., reduction of \$1.2 million), OEL management stated that a reduction in the amount of maintenance and operations costs, or an extension of the contract term to include an additional 11 months for maintenance and operations services, had been discussed with HP. However, both parties agreed to keep both the length and value of the original contract whole.
- In response to our audit inquiry, OEL management estimated in October 2012 that, as a result of the year-long delay in project completion, the OEL would incur \$2.2 million in additional project carrying costs. The additional carrying costs include costs associated with the extension of OEL project roles and responsibilities such as maintenance of a project management office.

Upon our January 24, 2013, audit inquiry, OEL management provided project documentation that disclosed additional delays and a revised forecasted ELIS implementation date of September 2013.

Absent strong management of project implementation time frames and related project costs, the risk is increased that large-scale information technology projects such as ELIS will not be completed timely and in a financially prudent manner.

Recommendation: We recommend that the OEL explore all options to minimize costs and further delays associated with the Statewide implementation of ELIS.

Finding No. 4: OEL Fiscal Guidance – Tangible Personal Property

Effective tangible personal property controls include up-to-date guidance that reflects the operational practices to be utilized by coalitions to ensure accountability over property. OEL Fiscal Guidance 240.02 (Guidance) established the requirements for the inventory of property purchased by the coalitions with State or Federal funds, including a

requirement that coalitions annually inventory all property required to be inventoried under either Federal regulations or State law (generally items with a purchase price of \$1,000 or more). The Guidance also outlined requirements for the maintenance of a master property inventory list of all grant-purchased property, provided procedures concerning the discovery of lost or stolen property, and established a process for property disposal.

Our audit procedures disclosed that the Guidance had not been updated to reflect changes in OEL operational practices. Specifically, the Guidance indicated that lost or stolen grant-purchased property should be reported by coalitions to the assigned OEL regional technical assistance coordinator within 3 business days of the discovery. However, in response to our audit inquiry, OEL management indicated that this part of the Guidance was not up-to-date, that the OEL no longer had regional coordinators, and that lost or stolen property was to be reported by the coalitions to the OEL's Manager of Financial Administration and Budget Services.

We also noted that the Guidance contained other out-of-date references to regional technical assistance coordinators related to the reporting process for coalition submissions of master property inventory lists and surplus property forms. In response to our audit inquiry, OEL management indicated that the reporting processes stated in the Guidance had been modified due to the elimination of the regional technical assistance coordinators and that the Guidance will be updated.

Absent guidance that reflects current operational practices, the OEL has less assurance that the coalitions will maintain accountability over tangible personal property in accordance with applicable State and Federal requirements.

Recommendation: To better ensure accountability over coalition tangible personal property, we recommend that the OEL update Fiscal Guidance 240.02 to reflect current operational practices.

Finding No. 5: School Readiness Outcome Measures and Quality Rating and Improvement System

In our report No. 2012-061, finding Nos. 5 and 7, we described deficiencies related to the OEL's efforts to establish Statewide outcome measures and a Statewide Quality Rating and Improvement System (QRIS)¹² for the School Readiness Program. In that report, we recommended that the OEL work in concert with its primary partners in the administration and delivery of the State's early learning programs, the early learning coalitions and child care providers, to address the findings noted. Our audit procedures designed to follow-up on the status of these findings disclosed that:

- **School Readiness Outcome Measures.** The OEL and the coalitions had begun implementing the statutorily required¹³ Statewide School Readiness Program outcome measures and that the OEL had initiated the promulgation of rules regarding developmental screenings and child assessments. For example, we found that, in an effort to measure provider performance, the OEL had initiated a voluntary Statewide program for classroom assessment. However, in response to our audit inquiry, OEL management reported that the OEL still does not have a systematic, uniform Statewide outcome measure to assess provider performance and does not have the ability to aggregate data at the State level.

Additionally, we noted that all the coalitions, in conjunction with their child care providers, were conducting developmental screenings utilizing uniform questionnaires, a process first implemented in 2010. However, in response to our audit inquiry, OEL management reported that as of September 2012, only 24 of the State's 31 coalitions had reported data to the OEL and, as a result, no Statewide assessment of the developmental screening data had been performed. Finally, we found that, although all the coalitions were working toward implementation of a uniform assessment system for pre- and post-assessment of children in the School

¹² Section 411.01(4)(d)3.i., Florida Statutes.

¹³ Section 411.01(4)(d)8., Florida Statutes.

Readiness Program, as of August 2012, only 8 of the State's 31 coalitions had begun implementing the uniform assessment system. OEL management reported in response to our audit inquiry that, until all the coalitions have implemented the assessment system, the OEL does not have the ability to aggregate data at the Statewide level to assess Program effectiveness.

- **Statewide Quality Rating and Improvement System.** In response to our audit inquiry, OEL management reported that a Statewide QRIS remained in development, as the OEL obtained stakeholder feedback and continued to work with the coalitions toward implementing the following elements of a Statewide early learning system infrastructure necessary to support a Statewide QRIS:
 - *Professional Development System* – The OEL had implemented a professional development system for the State's early childhood professionals, including the adoption of trainer qualifications. As of October 12, 2012, 29 of the 31 coalition-appointed lead trainers had completed the Outcomes Driven Training Facilitators Program and the OEL was still in the process of developing a master's credential program.
 - *Child Outcome Measures* – As previously described, the coalitions and their child care provider partners performed developmental screenings utilizing uniform questionnaires and the coalitions are also working toward implementation of a uniform assessment system for the pre- and post-assessment of children in the School Readiness Program.
 - *Measuring Program Quality* – As previously mentioned, the OEL had initiated development of a voluntary, Statewide program for classroom assessment. Initial training for early implementing coalitions began on July 9, 2012.
 - *ELIS* – As described in finding No. 3, project documentation as of January 2013 forecasted Statewide implementation to be complete in September 2013.

As further efforts are necessary to implement Statewide outcome measures and a QRIS for the School Readiness Program, at the time of this audit, the OEL was unable to fully demonstrate that outcome measures and a Statewide QRIS had been established in compliance with State law.¹⁴ Audit procedures to evaluate the implementation of Statewide outcome measures and a QRIS may be included in future audits of the State's early learning programs.

Recommendation: We recommend that the OEL, in collaboration with the coalitions, continue efforts to establish and implement Statewide outcome measures and a Statewide QRIS for the School Readiness Program.

Early Learning Coalitions

As discussed in the **BACKGROUND** section of this report, early learning coalitions are responsible for implementing the School Readiness and VPK Programs at the local level. For the purpose of evaluating the actions taken by coalitions to correct deficiencies disclosed in our report No. 2012-061, we performed the audit procedures described in the **OBJECTIVES, SCOPE, AND METHODOLOGY** section of this report. The procedures performed included work conducted with respect to the following ten early learning coalitions:

- Early Learning Coalition of the Big Bend Region – Gadsden, Jefferson, Leon, Liberty, Madison, Taylor, and Wakulla Counties.
- Early Learning Coalition of Escambia County.
- Early Learning Coalition of Hillsborough County.
- Early Learning Coalition of Marion County.
- Early Learning Coalition of Miami-Dade/Monroe.

¹⁴ Section 411.01(4)(d)3.i., Florida Statutes.

- Early Learning Coalition of Orange County.
- Early Learning Coalition of Palm Beach County.
- Early Learning Coalition of Pinellas County.
- Early Learning Coalition of Polk County.
- Early Learning Coalition of Southwest Florida – Collier, Glades, Hendry, and Lee Counties.

Pursuant to State law,¹⁵ each early learning coalition must implement, in accordance with rules adopted by the OEL, a comprehensive program of school readiness services which enhance the cognitive, social, and physical development of children. Included in the coalition responsibilities enumerated in State law and required by the OEL pursuant to rules and coalition grant agreements are responsibilities related to: the use of a waiting list to track eligible children waiting for School Readiness Program enrollment, the performance of coalition personnel background screenings, and the establishment of effective tangible personal property and information technology security controls.

Finding No. 6: School Readiness Waiting Lists

State law¹⁶ specifies that the School Readiness Program is established for children from birth to the beginning of the school year for which a child is eligible for admission to kindergarten in a public school and for children who are eligible for a Federally subsidized child care program. Federal regulations¹⁷ state that in order to be eligible for child care services provided by the Federal Child Care and Development Fund (CCDF) Block Grant, a child must be under 13 years of age or, at the option of the State's lead agency for the CCDF Block Grant, be under age 19 and physically or mentally incapable of caring for himself or herself or be under court supervision. As the State's lead agency for the CCDF Block Grant, the OEL elected to allow CCDF-funded child care for children ages 13 through 18 who are physically or mentally incapable of self-care. The OEL has also elected to allow CCDF-funded child care for children ages 13 through 18 who are under court supervision.

State law¹⁸ requires that each coalition give priority to children eligible for School Readiness Program participation. Additionally, OEL Rules¹⁹ require that every coalition utilize a waiting list as a management tool for filling available child care slots under the School Readiness Program. The Rules mandate that the waiting lists be prioritized according to the eligibility categories established in law and that every 6 months, each child's name on the list be subject to validation. Names not properly validated, or names for which a purpose for care no longer exists, are to be removed from the waiting list.

The OEL has established a Single Point of Entry (SPE) Web-based system that parents and guardians may use to apply for School Readiness and VPK Program services. The Unified Wait List (UWL) is a Web-based system that coalitions and their contracted designees use to retrieve, review, and manage applications submitted by the public through the SPE. When a coalition is unable to enroll eligible children due to space or funding limitations, the UWL is also to be used to prioritize the children on the waiting list for future School Readiness Program enrollment based on each child's eligibility category. As previously described, OEL Rules require that all names of children on the waiting list be validated at least every 6 months, and names which are not validated are to be removed from the waiting list by the coalitions or their contracted designees through a manual process within the UWL.

¹⁵ Section 411.01(5)(c)2., Florida Statutes.

¹⁶ Section 411.01(6), Florida Statutes.

¹⁷ Title 45, Section 98.20, Code of Federal Regulations.

¹⁸ Section 411.01(6), Florida Statutes.

¹⁹ Department of Education, Office of Early Learning Rule 6M-4.300, Florida Administrative Code.

In our report No. 2012-061, finding No. 14, we disclosed that children on the **Miami-Dade/Monroe Coalition's** waiting list were prioritized by the date a child was added to the UWL rather than by eligibility category as required by OEL Rules.²⁰ As part of our current audit, we reviewed the Coalition's waiting lists as of August 20, 2012, and September 12, 2012, and noted that the Coalition had taken corrective action to prioritize the children on the waiting lists by eligibility category. However, we also noted potential noncompliance with Federal regulations and OEL Rules in the management of the Coalition's waiting list. For example, for the 10,921 children on the Coalition's September 12, 2012, waiting list:

- The list showed 435 children (4 percent) whose names had not been validated and had been on the waiting list longer than 6 months, with the earliest date being January 6, 2011.
- The list showed 557 children (5 percent) with reported ages between 13 and 18 years old and also included 3 children who were reported to be over 19 years of age.

The Coalition utilized a central agency to manage its waiting list, and the agency's procedures required that children who had not been enrolled after 6 months or whose names had not been validated be removed from the waiting list. In response to our audit inquiry, Coalition management acknowledged that an oversight on the part of the central agency contributed to records with dates greater than 6 months old not being removed from the waiting list. Additionally, Coalition management stated that, more than likely, most of the records with reported child ages greater than 13 years should have been removed from the waiting list, although some children may have qualified for services under the physical or mental incapacity exception.

Absent effective controls which ensure the validity of the names of the children included on the Coalition's waiting list, the Coalition has less assurance that it is managing and filling available child care slots in compliance with applicable Federal regulations and OEL Rules.

Recommendation: We recommend that the **Miami-Dade/Monroe Coalition ensure that only eligible children are included on the Coalition's School Readiness Program waiting list, in conformity with applicable Federal regulations and OEL Rules.**

Finding No. 7: Coalition Personnel Background Screenings

In our report No. 2012-061, finding No. 28, we noted that coalition employees oftentimes come into contact with children or have access to confidential information. We also reported that four of the ten selected coalitions did not always ensure that employees who may come into contact with children or have access to confidential information timely underwent level 2 screenings.²¹

Grant agreements between the OEL and the coalitions require that each coalition maintain documentation demonstrating that all coalition employees receive and pass a level 2 screening. To determine whether the applicable coalitions had taken timely corrective actions to ensure that the employees included in our report No. 2012-061 received appropriate background screenings, we requested and examined coalition documentation. Our audit found that two of the four coalitions had obtained and reviewed level 2 screenings for its applicable employees. However, the other two coalitions had not timely obtained all the required screenings. Specifically:

²⁰ Ibid.

²¹ As defined in Section 435.04, Florida Statutes, a level 2 screening includes, but need not be limited to, fingerprinting for Statewide criminal history records checks through the Department of Law Enforcement, national criminal history records checks through the Federal Bureau of Investigation, and may include local criminal records checks through local law enforcement agencies.

- **Hillsborough County Coalition** documentation evidencing the receipt and clearance of level 2 screenings for the Coalition's Executive Director and Chief Operating Officer was not available until September 2012, 9 months after the release of our report No. 2012-061. Subsequent to our audit inquiry, the Coalition provided background screenings which disclosed no disqualifying offenses.
- **Escambia County Coalition** documentation evidencing the receipt and clearance of a complete level 2 screening for one of the two employees included in our report No. 2012-061 was not available until October 2012. Prior to October 2012, the Coalition did have documentation evidencing that the employee had been subject to a national criminal history records check which disclosed no disqualifying offenses. However, the Coalition did not have documentation evidencing that the employee had been subject to a Statewide criminal history records check. Subsequent to our audit inquiry, the Coalition provided a complete level 2 background screening which disclosed no disqualifying offenses.

Although we noted that both coalitions had established policies requiring all employees to undergo a level 2 screening as a condition of employment, these controls did not always appear effective. Absent documentation evidencing the conduct of level 2 screenings, the coalitions cannot demonstrate that only those persons with appropriate backgrounds are employed.

Recommendation: We again recommend that the coalitions ensure that all employees timely undergo level 2 screenings as a condition of employment and continued employment.

Finding No. 8: Tangible Personal Property Controls

As noted in finding No. 4, pursuant to the provisions of coalition grant agreements and OEL Fiscal Guidance 240.02 (Guidance), coalitions are to conduct an annual inventory and maintain accounting records for all property purchased by the coalitions with State or Federal funds (generally items with a purchase price of \$1,000 or more).

Among the requirements for the inventory of property, the Guidance states that a coalition must keep a master property inventory list (list) of its grant-purchased property in accordance with Federal regulations.²² The list must include, among other things, the following information about a coalition's property:

- Acquisition cost.
- Acquisition date.
- Current condition.
- Funding source used to purchase the property, including the grant award number.
- Manufacturer's serial number.
- Model information.
- Property tag identification number.
- Statement that title to the grant-purchased property vests in the coalition.

The Guidance also requires that each coalition provide its list to the OEL no later than October 1st of each year.

In our report No. 2012-061, finding No. 26, we noted that five of the selected coalitions needed to improve their accountability for tangible personal property. Maintenance of comprehensive and up-to-date tangible personal property policies and procedures, as well as complete and accurate property records, help coalitions preserve

²² Title 45, Section 74.34, Code of Federal Regulations.

accountability over property items purchased with taxpayer funds, including portable or attractive items such as computers which may contain sensitive or confidential information.²³

Our review of selected coalition policies and procedures as well as tangible personal property records disclosed areas where improvements in accountability were still needed at four coalitions. Several of the areas for improvement may have resulted from the lack of up-to-date Guidance, as detailed in finding No. 4. Specifically:

- The **Big Bend Coalition's** list, as of June 30, 2012, did not contain all of the information required by the Guidance and Federal regulations for all the listed items. Specifically, for the 281 items included on the Coalition's list the Coalition had not recorded:
 - The acquisition cost for 144 items (51 percent).
 - The acquisition date for 146 items (52 percent).
 - The funding source for 142 items (51 percent).
 - The grant award number for 191 items (68 percent).
 - The manufacturer's serial number for 10 applicable items (4 percent).

In addition, the Coalition's list included six duplicate property identification tag numbers. In four instances, the tag numbers appeared to be assigned to 2 different property items. In another instance, a duplicate tag number was to an "unassigned" property entry and in the sixth instance, a property tag number was recorded twice in separate property record entries for the same item.

In response to our audit inquiry, Coalition management indicated that they utilized the list for managing inventory items below the State threshold and for these items the missing information was not recorded. Additionally, Coalition management stated that in July 2008 the Coalition received a significant number of inventory items from its former contractor and that the Coalition was unable to obtain information from the contractor for certain items.

Notwithstanding Coalition management's explanation, we noted items listed without the required information that may have cost \$1,000 or more. For example, the Coalition had not recorded an acquisition cost, acquisition date, funding source, or grant award number for a server with a current price in excess of \$2,300. We also noted certain portable or attractive property items, such as a tablet computer, for which the Coalition had not recorded an acquisition cost.

- The **Marion County Coalition's** property and equipment policies and procedures did not provide for the timely conduct of a physical inventory of grant-purchased property or require the timely submission of related information to the OEL. Specifically, the Coalition's policies and procedures required that a physical inventory of assets be conducted annually during the period between July 1st and October 1st and the results be submitted to the OEL by October 31st. However, as previously noted, the Guidance requires coalitions to provide their lists to the OEL by no later than October 1st of each year.

We also noted that the Coalition's list, as of July 1, 2012, did not contain a statement that title to the grant purchased property vests in the Coalition.

- In response to our audit inquiry, **Orange County Coalition** management reported that the Coalition was in the process of testing a new format for its policies and procedures and that its property management policy and procedure was a work in progress. Coalition management also stated that they had not established a formal approval process for Coalition policies and procedures. Our review of the Coalition's property management policy and procedure disclosed several instances in which the policy and procedure did not conform to State and Federal requirements, as well as OEL guidance.

²³ By their nature, portable and attractive items, such as computer and electronic equipment, are susceptible to loss and theft and therefore, should be appropriately controlled. Appropriate control of computer and electronic equipment is especially important as such equipment may contain sensitive or confidential coalition data.

- Coalition grant agreements stipulate that, in accordance with the requirements of Office of Management and Budget (OMB) Circular No. A-122, certain items shall not be purchased without prior approval from the OEL. Guidance²⁴ from the OEL states that, among the items requiring prior OEL approval, are equipment and other capital expenditures. However, the Coalition's property management policy and procedure did not contain a requirement that, prior to the purchase of equipment, the Coalition seek the OEL's written approval.
 - The Coalition's property management policy and procedure did not include a provision for reporting lost or stolen property to the OEL in accordance with current OEL operating practices.
 - The Coalition's property management policy and procedure did not reflect current provisions of State administrative rules for the handling of surplus and excess property. Specifically, rather than referring to Department of Financial Services Rules²⁵ for disposing of surplus property, the Coalition's policy and procedure made reference to obsolete rules that had been replaced in July 2011.
 - Contrary to the requirements of the Guidance, the Coalition's property management policy and procedure did not include a provision requiring that a list of surplus grant-purchased property in excellent, good, or fair condition, or in poor condition but available for parts be distributed to the other coalitions.
- The **Polk County Coalition's** list, as of June 30, 2012, did not contain all of the information required by the Guidance and Federal regulations for all the listed items. Specifically, for the 320 items included on the Coalition's list the Coalition had not recorded:
- The acquisition cost for 65 items (20 percent).
 - The acquisition date for 18 items (6 percent).
 - The condition for 8 items (3 percent).
 - The funding source for 32 items (10 percent).
 - The model number for 69 items (22 percent).
 - The property tag number for 2 items (1 percent).

We also noted that the Coalition's list did not appear to utilize sequential property tag numbers, which may have contributed to one property tag number being assigned to the same computer that was recorded as being located in two different cities (Winter Haven and Lakeland). In addition, neither the Coalition's list nor any related documentation contained a statement that title to the Coalition's grant-purchased property vested in the Coalition.

In response to our audit inquiry, Coalition management indicated that they did not have a procedure in place to manage property on the Coalition's list prior to the implementation of an inventory protocol on December 15, 2011. Coalition management further indicated that the protocol was implemented to better ensure that the list was accurately populated.

Absent effective controls, the risk is increased that the information necessary to maintain accountability over coalition property will not be recorded for all applicable property items and coalitions cannot demonstrate compliance with applicable Federal regulations, DFS Rules, and OEL guidance. Also, without policies and procedures that include all the requirements for the acquisition of grant-purchased equipment, coalitions may purchase equipment without obtaining the required prior approval from the OEL.

²⁴ *Guidance on Prior Approval Procedures for Selected Costs and Administrative Requirements, October 2011.*

²⁵ Department of Financial Services Rule 69I-7.005, Florida Administrative Code.

Recommendation: We recommend that the coalitions implement controls to ensure that required tangible personal property information is recorded for all applicable items and that coalition policies and procedures address all the Federal, State, and OEL requirements.

Finding No. 9: Coalition Information Technology Security Control Policies and Procedures

Each information technology (IT) function needs complete, well-documented policies and procedures to describe the scope of the function and its activities. Sound policies and procedures provide benchmarks against which compliance can be measured and contribute to an effective control environment.

In our report No. 2012-061, finding No. 32, we disclosed that IT security controls at one coalition needed enhancement and recommended that proper IT security controls be established to ensure the confidentiality, integrity, and availability of data and IT resources. As part of our current audit, we noted that, while the **Marion County Coalition** had, effective January 2012, updated its IT security control practices in an effort to implement the necessary enhancements identified, and communicated the enhancements to coalition personnel via e-mail, the Coalition had not revised its IT security policies and procedures to reflect the changes made.

In response to our audit inquiry, Coalition management reported that they anticipated completion of the revised IT security control procedures by December 31, 2012. Absent the establishment of policies and procedures that accurately reflect current IT security control practices, the risk is increased that Coalition IT security controls may not be followed consistently and in accordance with management expectations.

Recommendation: We recommend that the Marion County Coalition ensure that its IT security control policies and procedures reflect current Coalition practices designed to protect the confidentiality, integrity, and availability of data and IT resources.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit from July 2012 through October 2012 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This operational audit focused on evaluating the actions taken by the OEL and the early learning coalitions to correct deficiencies disclosed in our report No. 2012-061. The overall objectives of the audit were:

- To evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, administrative rules, contracts, grant agreements, and guidelines.
- To examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, the reliability of records and reports, and the safeguarding of assets, and identify weaknesses in those internal controls.

- To determine whether management had corrected, or was in the process of correcting, applicable deficiencies disclosed in our report No. 2012-061.
- To identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, deficiencies in management's internal controls, instances of noncompliance with applicable governing laws, rules, or contracts, and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit's findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included the selection and examination of transactions and records. Unless otherwise indicated in this report, these transactions were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature does not include a review of all records and actions of agency management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, abuse, or inefficiency.

In conducting our audit, we performed various audit procedures at the OEL and with respect to 10 of the State's 31 early learning coalitions. Specifically, for the OEL we:

- Obtained an understanding of early learning programs and legal framework through interviews with management and staff as well as review of laws, rules, grant agreements, and key policies and procedures.
- Obtained an understanding of internal controls and observed, documented, and evaluated the effectiveness of key processes and procedures related to the OEL's purchasing process and expenditure transactions, including expenditures related to travel, wireless telephones and other devices, and purchasing cards.
- Obtained an understanding of the roles and responsibilities of the OEL's Office of Inspector General, its process for reporting fraud, program abuse, and mismanagement, as well as the OEL's fraud referral and recovery process, through interviews of employees and reviews of relevant documentation.
- Evaluated, through a review of applicable State laws, the sufficiency of the statutory authority of the OEL's Office of Inspector General.
- Evaluated, through a review of relevant documentation, whether the OEL had established internal controls that provided reasonable assurance of the prevention and detection of fraud, program abuse, and mismanagement.
- Reviewed all OEL fraud referral data for the 2011-12 fiscal year and assessed whether the OEL had taken sufficient and appropriate actions to investigate allegations of fraud or otherwise appropriately forward the allegations to other entities for further investigation.

- Obtained an understanding of the handling of the OEL's professional, technological, and administrative services, through employee interviews and reviews of relevant documentation. Evaluated whether, pursuant to State law, the OEL had timely entered into with the DOE a service agreement that adequately detailed the services to be provided by the DOE.
- Performed an analysis of OEL expenditures for the 2010-11 and 2011-12 fiscal years to identify and evaluate any large or unusual trends or transactions and any unusual vendor relationships and requested, obtained, and evaluated management explanations for any noted.
- Reviewed the August 2012 draft Statewide provider agreement for the School Readiness Program to determine whether the agreement would impose requirements on School Readiness Program providers in addition to those provided for in State law.
- Reviewed for timeliness of submission, 31 coalition annual reports that were due to the OEL by October 1, 2011, and 31 reports due to the OEL by October 1, 2012.
- To determine OEL compliance with the requirements of State law, evaluated actions taken by the OEL to establish School Readiness Program outcome measures and to initiate rulemaking related to the screening and assessment of children participating in the Program.
- Evaluated the sufficiency of actions taken by the OEL to ensure that all coalitions move toward the use of one assessment system for children in the School Readiness Program.
- Reviewed rule development and other documentation to determine whether the OEL had taken sufficient and timely action to establish the rules and guidance necessary to implement a standard, Statewide curricula review and approval process for the School Readiness Program.
- Inquired of OEL management as to whether the OEL had created a Statewide list of approved School Readiness Program curricula.
- Reviewed documentation to determine whether the School Readiness Program curricula were to be aligned to the *Florida Early Learning and Developmental Standards: Birth to Five*.
- Reviewed documentation and made inquiries of OEL management to assess whether the OEL had taken sufficient and timely action to implement a Statewide School Readiness Program Quality Rating and Improvement System.
- Reviewed the data sharing agreement between the OEL, the DEO, and the Department of Revenue, to determine whether the OEL had entered into an agreement that provided the OEL the ability to obtain the information necessary to detect, investigate, and prevent School Readiness Program fraud.
- Inquired as to the steps taken by the OEL to execute a data sharing agreement with the Social Security Administration to obtain information in support of post-eligibility audits.
- Reviewed the OEL's Data Accuracy Scorecards and Data Accuracy Review Guide to determine whether the Scorecards and Guide were timely finalized for the 2011-12 fiscal year monitoring cycle and provided to all coalitions to assist them in monitoring their programs.
- Reviewed the OEL's VPK Dual Enrollment Reports to determine whether the reports correctly identified children who attended both a school-year and summer VPK Program and whether the OEL had made the reports available to the coalitions for further investigation.
- Reviewed the OEL's EFS edit reports to determine whether the OEL had developed reports identifying when the number of full-time childcare days exceed 20 days in a month and when total family income exceeds 200 percent of the Federal poverty level.
- Obtained an understanding of the ELIS project timeline and status and assessed whether the project was on schedule by interviewing OEL management and reviewing OEL documentation and independent project verification and validation reports.

- Obtained an understanding of ELIS project costs and contractual requirements and assessed the reasonableness of costs incurred by interviewing OEL management and reviewing OEL and independent project verification and validation documentation.
- Evaluated the OEL's programmatic monitoring process by reviewing OEL monitoring procedures and determined whether the OEL had finalized all monitoring tools prior to the start of the 2011-12 fiscal year review cycle.
- Reviewed documentation to determine whether the OEL had provided all coalitions a memorandum explaining the programmatic monitoring process and expectations, due dates for documentation and corrective action submission, and what constitutes acceptable requests for extensions.
- Reviewed the 2011-12 and 2012-13 fiscal monitoring contracts between the OEL and Harvey, Covington & Thomas, LLC (HCT) to determine whether the contracts included adequate provisions to ensure that HCT employees were independent of the coalitions.
- Reviewed documentation for the 16 programmatic monitoring visits performed by the OEL for the 2011-12 fiscal year to determine the timeliness of various monitoring activities.
- Reviewed the 2012-13 School Readiness Program funding formula implemented by the OEL to determine whether the formula was:
 - Subject to legislative notice and review in accordance with the requirements of State law.
 - Based upon equity for each county in accordance with State law.
 - Fully documented and supported.
 - Accurately calculated.
 - Executed in accordance with the requirements of State law and consistent with legislative intent.
- Determined whether the OEL had taken timely and sufficient action to develop rules establishing the criteria for the approval of School Readiness plans.
- Examined documentation related to ten coalition School Readiness Plan amendments submitted to the OEL during the period January 2012 through June 2012 to determine whether OEL's Plan rating instruments and amendment tracking document ensured that the amendments were properly approved and implemented in compliance with the requirements of State law.
- Reviewed documentation to determine whether the OEL had informed the coalitions in writing that a School Readiness Plan amendment was to be submitted to the OEL for approval within 60 calendar days of the board meeting in which the coalition board approved any change to the Plan.
- Determined through inquiry of OEL management and review of OEL programmatic monitoring reports whether, during the 2011-12 fiscal year, the OEL had cited any coalitions for not timely submitting for OEL approval a Plan amendment for any board-approved change to the coalition's School Readiness Plan.
- Determined whether the OEL had taken timely and sufficient action to develop rules establishing criteria for the expenditure of funds designated for activities to improve the quality of child care.
- Reviewed documentation to determine whether the OEL had implemented expanded definitions for all administrative, nondirect, and quality other cost accumulator accounting codes.
- Reviewed documentation to determine whether the OEL had designed and implemented additional quality other cost accumulator codes to provide for better assurance that expenditures classified as quality dollar expenditures relate to activities that improve the quality of child care.
- Reviewed the cost allocation guidance provided by the OEL to the coalitions to assess whether the guidance was adequately designed to promote consistency in reporting quality dollar expenditures.

- Analyzed EFS data for the period July 2011 through June 2012 to identify potential School Readiness and VPK Program payment records in which the number of reimbursed days exceeded the potential number of reimbursable days for a provider in a month.
- Compared EFS School Readiness payment rate data for the Escambia County Coalition for the period July 2011 through June 2012 to the coalition's most recent OEL-approved payment rate schedule for agreement.
- Analyzed EFS data by provider, by child, and by parent for the period July 2011 through June 2012 to identify potential excessive or fraudulent School Readiness reimbursements.
- Performed analytical procedures for the period July 2011 through June 2012 to identify participants who received School Readiness child care subsidies under a work-dependent eligibility category while also receiving Reemployment Assistance benefits.
- Analyzed EFS data for the period July 2011 through June 2012 and evaluated the actions taken by the OEL to identify children receiving School Readiness, VPK, or both program services during the same time frame from more than one coalition.

For the ten early learning coalitions for which we performed select audit procedures, we also:

Early Learning Coalition of the Big Bend Region

- Evaluated the adequacy of the design of the Coalition's School Readiness Program eligibility determination policies and procedures.
- Reviewed documentation to verify that staff training was conducted for School Readiness Program eligibility determination policies and procedures.
- Verified, through inquiry and review of supporting documentation, that the Coalition had participated in training made available by the OEL regarding income calculation requirements and had received written guidance from the OEL outlining immunization documentation requirements.
- Inquired into the status of the Coalition's procedures for implementing future School Readiness Program provider payment rate changes.
- Compared EFS records for five payments occurring during the period July 2011 through June 2012 to the Coalition's OEL-approved payment schedule for agreement.
- Obtained an understanding, through a review of Coalition documentation, of the Coalition's case management approach to reimbursing providers.
- Confirmed that the Coalition had received from the OEL a technical assistance paper on School Readiness and VPK attendance and payment validation.
- Evaluated the extent to which Coalition procedures ensured that VPK instructor credentials, including required background screenings, were verified and determined appropriate.
- Verified that the Coalition had adopted a policy which allowed the Coalition to hold providers accountable for noncompliance with VPK instructor credentials, including required background screenings.
- Assessed, through a review of Coalition documentation as well as EFS data, whether the VPK teaching assistant noted in our report No. 2012-061, finding No. 20, as not having documentation demonstrating the conduct of a background screening, was a current VPK instructor of record.
- Reviewed the Coalition's Finance Policy and Procedure to assess whether it was adequately designed to ensure that purchases are approved and supported by appropriate documentation, that Coalition staff procurement duties are adequately separated, and that quotes are obtained when appropriate.
- Reviewed the Coalition's Procurement Purchasing Checklist to assess whether it was adequately designed to aid in the verification that Coalition expenses were accurately paid, adequately supported, and made in reasonable amounts.

- Reviewed the Coalition's tangible personal property procedures to determine whether the procedures were in conformity with OEL requirements and adequately designed to provide for the timely update of the Coalition's master property inventory list.
- Reviewed the Coalition's master property inventory list as of June 30, 2012, to determine whether it contained all of the elements required by OEL Fiscal Guidance 240.02.
- Reviewed documentation to determine whether the Coalition had reconciled the results of its last physical inventory to the master property inventory list and whether any differences had been properly investigated and any corrections had been posted to the list.
- Evaluated the adequacy of the design of the Coalition's comprehensive monitoring plan and whether the plan provided for the adequate tracking of the results of Coalition provider monitoring efforts.

Early Learning Coalition of Escambia County

- Verified, through inquiry and review of supporting documentation, that the Coalition had participated in training made available by the OEL regarding income calculation requirements and had received written guidance from the OEL outlining immunization documentation requirements.
- Reviewed the Coalition's VPK Rights and Responsibilities statement to assess whether it included information regarding a parent's right to access VPK Provider Kindergarten Readiness rate information.
- Inquired as to the steps taken by the Coalition to ensure that the documentation necessary to demonstrate that complete level 2 background screenings was maintained for all VPK instructors.
- Evaluated the adequacy of the design of the Coalition's VPK Provider File Checklist, VPK Provider Policy and Procedure Manual, and VPK Quality Assurance Checklist, for ensuring that documentation of complete level 2 background screenings are maintained for all VPK instructors.
- Assessed, through a review of Coalition-provided documentation as well as EFS data, whether the Coalition, for the seven VPK instructors noted in our report No. 2012-061, finding No. 20, as not having documentation to demonstrate the timely conduct of a level 2 screening, had taken corrective actions to appropriately document the performance and review of level 2 screenings for each instructor.
- Evaluated the adequacy of the design of the Coalition's VPK Provider File Checklist and VPK Quality Assurance Checklist for ensuring that documentation of VPK instructor credentials was maintained for all VPK instructors.
- Assessed the adequacy of the design of the Coalition's revenue-related policies and procedures.
- Reviewed Coalition documentation to determine whether the Coalition had addressed the lack of documentation demonstrating that background screenings had been timely performed for three employees as noted in our report No. 2012-061, finding No. 28.
- Reviewed the Coalition's personnel background screening policy to determine whether the policy conformed to the requirements of OEL grant agreements.
- Reviewed the personnel files for two Coalition employees hired during the period January 2012 through June 2012 to determine whether applicable background screening requirements had been satisfied.

Early Learning Coalition of Hillsborough County

- Inquired as to the steps taken by the Coalition to ensure that all VPK provider payments were supported by the attendance documentation required by OEL Rules.
- Reviewed documentation to verify that the Coalition had conducted provider training related to the maintenance of documentation to support VPK provider payments as required by OEL Rules.
- Reviewed documentation of VPK monitoring performed, including technical assistance supplied to providers regarding compliance with VPK provider payment requirements.

- Confirmed that the Coalition had received an OEL-provided technical assistance paper on School Readiness and VPK attendance and payment validation.
- Reviewed Coalition documentation to determine whether the Coalition had addressed the lack of documentation demonstrating that background screenings had been timely performed for two employees as noted in our report No. 2012-061, finding No. 28.
- Reviewed the Coalition's personnel background screening policy to determine whether the policy conformed to the requirements of the OEL grant agreement.

Early Learning Coalition of Marion County

- Evaluated the adequacy of the design of the Coalition's procedures for School Readiness Program eligibility determination and payment validation.
- Confirmed that the Coalition had received an OEL-provided technical assistance paper on School Readiness and VPK attendance and payment validation.
- Reviewed the Coalition's procurement policies and procedures to assess whether they conformed to the requirements of the OEL grant agreement.
- Reviewed the Coalition's tangible personal property procedures to determine whether the procedures were in conformity with OEL requirements and were adequately designed to provide for the timely update of the Coalition's master property inventory list.
- Reviewed the Coalition's master property inventory list as of July 1, 2012, to determine whether it contained all the elements required by OEL Fiscal Guidance 240.02.
- Reviewed documentation to determine whether the Coalition had reconciled the results of its last physical inventory to the master property inventory list and whether any differences had been properly investigated and any corrections had been posted to the list.
- Reviewed the Coalition's provider monitoring procedures to determine whether the procedures outlined the methodology for prioritizing reviews by risk level.
- Evaluated the adequacy of the design of the Coalition's IT security control policies and procedures.
- Confirmed that the Coalition had received an OEL-provided technical assistance paper on information and data security.

Early Learning Coalition of Miami-Dade/Monroe

- Reviewed the Coalition's School Readiness Program enrollment priorities and assessed whether they aligned with the priority requirements established by State law.
- Analyzed the Coalition's School Readiness Program waiting lists as of August 20, 2012, and September 12, 2012, to determine whether the lists were prioritized by eligibility category and in compliance with applicable legal requirements.
- Reviewed the Coalition's VPK Rights and Responsibilities form to assess whether it included information on how parents may access provider profiles on the Coalition's Web site and a section for parents to sign acknowledging receipt of the VPK Parent Handbook.

Early Learning Coalition of Orange County

- Evaluated the adequacy of the design of the Coalition's policy and procedure for reviewing VPK instructor background screenings.
- Reviewed documentation to verify that the Coalition had conducted provider training related to the proper conduct, review, and documentation of VPK instructor background screenings.
- Verified, through an analysis of EFS data, that the lead VPK instructor noted in our report No. 2012-061, finding No. 20, as having a charge of neglect of a child was no longer employed as a VPK instructor.

- Reviewed the Coalition's tangible personal property procedures to determine whether the procedures were in conformity with OEL requirements and adequately designed to provide for the timely update of the Coalition's master property inventory list.
- Reviewed the Coalition's master property inventory list as of August 24, 2012, to assess whether it contained all of the elements required by OEL Fiscal Guidance 240.02.
- Reviewed documentation to determine whether the Coalition had reconciled the results of its last physical inventory to the master property inventory list and whether any differences had been properly investigated and any corrections had been posted to the list.
- Evaluated the adequacy of the design of the Coalition's provider monitoring log and determined whether it provided for the tracking of information such as the dates the monitoring was conducted, any noncompliance issues noted, the dates corrective actions were taken, and the Coalition's follow-up monitoring activities.

Early Learning Coalition of Palm Beach County

- Reviewed documentation to verify that Coalition staff received training related to School Readiness Program eligibility determination and parent copayment calculation requirements.
- Verified, through inquiry and review of supporting documentation, that the Coalition had participated in training made available by the OEL regarding income calculation requirements and had received written guidance from the OEL outlining immunization documentation requirements.
- Reviewed documentation to verify that the Coalition had provided additional training to providers to ensure that sign-in and sign-out sheets accurately reflect a child's attendance.
- Confirmed that the Coalition had received an OEL-provided technical assistance paper on School Readiness and VPK attendance and payment validation.
- Reviewed the Coalition's personnel background screening policy to determine whether the policy conformed to the requirements of the OEL grant agreement.
- Reviewed the personnel files for two Coalition employees hired during the period January 2012 through June 2012 to determine whether applicable position background screening requirements had been satisfied.
- Reviewed the Coalition's policy for advertising board vacancies and assessed whether it conformed to the requirements of State law.
- Reviewed documentation for all five Coalition board appointments made during the period January 2012 through June 2012 to determine whether the vacancies had been appropriately advertised in accordance with Coalition policy and the requirements of State law.

Early Learning Coalition of Pinellas County

- Evaluated the adequacy of the design of the Coalition's policies and procedures for monitoring high-risk providers.
- Reviewed documentation to verify that the Coalition had informed providers of pertinent School Readiness Program information, including payment documentation requirements.
- Confirmed that the Coalition had received an OEL-provided technical assistance paper on School Readiness and VPK attendance and payment validation.
- Reviewed the Coalition's policies and procedures for travel and assessed whether they were adequately designed to ensure the reimbursement of Coalition travel expenses in accordance with the requirements of State law.
- Reviewed the Coalition's tangible personal property procedures to determine whether the procedures were in conformity with OEL requirements and were adequately designed to provide for the timely update of the Coalition's master property inventory list.

- Reviewed the Coalition's master property inventory list as of June 30, 2012, to assess whether it contained all the elements required by OEL Fiscal Guidance 240.02.
- Reviewed documentation to determine whether the Coalition had reconciled the results of its last physical inventory to the master property inventory list and whether any differences had been properly investigated and any corrections had been posted to the list.
- Reviewed the Coalition's cash receipts policies and procedures to determine whether they had been updated to require that, at the point of collection, all checks received be logged and immediately restrictively endorsed.
- Evaluated the adequacy of the design of the Coalition's policies and procedures for verifying Coalition employment requirements.
- Reviewed the personnel files for ten Coalition employees hired during the period January 2012 through June 2012 to determine whether applicable position education requirements had been satisfied.
- Evaluated the adequacy of the design of the Coalition's provider monitoring log and whether it provided for the tracking of information such as the dates the monitoring was conducted, any noncompliance issues noted, the dates corrective actions were taken, and the Coalition's follow-up monitoring activities.

Early Learning Coalition of Polk County

- Inquired as to the steps taken by the Coalition to ensure that school-age children participating in the School Readiness Program meet applicable immunization requirements and evaluated the adequacy of the steps taken.
- Verified, through inquiry and review of supporting documentation, that the Coalition had received an OEL-issued guidance memorandum outlining immunization documentation requirements.
- Inquired into the steps taken by the Coalition to ensure that School Readiness Program payment documentation requirements were satisfied and that payments were made in accordance with applicable laws and other guidelines.
- Evaluated the adequacy of the design of the Coalition's classroom calendar utilized by the Polk County School District to document attendance for participants in the School Readiness Program as well as the design of the Coalition's Provider Attendance Audit Protocol.
- Confirmed that the Coalition had received an OEL-provided technical assistance paper on School Readiness and VPK attendance and payment validation.
- Evaluated the adequacy of the design of the Coalition's Provider File Checklist for ensuring that the documentation necessary to demonstrate the conduct of level 2 background screenings is maintained for all VPK instructors.
- Evaluated the Coalition's General Purchasing Protocol to assess whether it was adequately designed to ensure that purchases are supported by appropriate documentation, Coalition staff procurement duties are adequately separated, and that quotes are obtained when appropriate.
- Reviewed one contractual service contract entered into by the Coalition during the period January 2012 through June 2012 to evaluate whether it was signed prior to the start of the contract period and included the total maximum amount the Coalition would pay.
- Reviewed the Coalition's tangible personal property procedures to determine whether the procedures were in conformity with OEL requirements, were adequately designed to provide for the timely update of the Coalition's master property inventory list, and provided for a proper separation of duties in the inventory management process.
- Reviewed the Coalition's master property inventory list as of June 30, 2012, to assess whether it contained all the elements required by OEL Fiscal Guidance 240.02.

- Reviewed documentation to determine whether the Coalition had reconciled the results of its last physical inventory to the master property inventory list and whether any differences had been properly investigated and any corrections had been posted to the list.
- Reviewed the Coalition's personnel background screening policy to determine whether the policy conformed to the requirements of the OEL grant agreement.
- Reviewed the personnel files for two Coalition employees hired during the period January 2012 through June 2012 to determine whether applicable background screening requirements had been satisfied.
- Reviewed the Coalition's hiring protocol to assess whether it required verification of position education requirements prior to employment.
- Reviewed the personnel files for two Coalition employees hired during the period January 2012 through June 2012 to determine whether applicable position education requirements had been satisfied.
- Evaluated the adequacy of the design of the Coalition's provider monitoring catalog and determined whether it provided for the tracking of information such as the dates the monitoring was conducted, any noncompliance issues noted, the dates corrective actions were taken, and the Coalition's follow-up monitoring activities.

Early Learning Coalition of Southwest Florida

- Reviewed documentation to verify that Coalition staff received training related to School Readiness Program eligibility determination and parent copayment calculation requirements.
- Verified, through inquiry and review of supporting documentation, that the Coalition had participated in training made available by the OEL regarding income calculation requirements and had received written guidance from the OEL outlining immunization documentation requirements.
- Evaluated the adequacy of the design of the Coalition's policies and procedures for ensuring that School Readiness Program payment documentation requirements are satisfied, specifically, the sign-in and sign-out sheet requirements.
- Reviewed documentation to verify that the Coalition had conducted training on payment validation procedures and for reviewing sign-in and sign-out sheets.
- Confirmed that the Coalition had received an OEL-provided technical assistance paper on School Readiness and VPK attendance and payment validation.

Overall, we:

- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions.

AUTHORITY

Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each State agency on a periodic basis. 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.



David W. Martin, CPA
Auditor General

MANAGEMENT'S RESPONSES

In response letters dated January 7, 2013, through January 18, 2013, the Director of the Office of Early Learning and the Executive Directors of the early learning coalitions generally concurred with our audit findings and recommendations. The responses are included as **EXHIBIT B**.

EXHIBIT A
2012-13 FISCAL YEAR SCHOOL READINESS PROGRAM FUNDING FORMULA CHRONOLOGY

Date	Activity
December 20, 2011	The OEL submitted the proposed 2012-13 fiscal year funding formula to the Governor, Chair of the Senate Budget Committee, and Chair of the House of Representatives Appropriations Committee. The formula anticipated a 3-year phase-in approach, allocating funds based on demographic data estimates prepared in August 2011 by the Office of Economic and Demographic Research (EDR) and the district cost differential (DCD) effective for the 2011-12 fiscal year.
March 9, 2012	House Bill No. 5103 (2012) was passed by the Florida House of Representatives and Senate providing for the creation of a School Readiness Allocation Conference (Conference). The Bill required the OEL to submit for the Conference's review and approval a recommended formula for allocating among the coalitions the School Readiness Program funds provided in the General Appropriations Act. The OEL was to submit the recommended formula by May 31, 2012, and by January 1 st of each year thereafter. The Conference was to meet to review the recommended formula and the Conference principals were to agree to all conventions and methods of computation used to calculate the allocation formula.
March and April 2012	The OEL developed six potential funding formulas pursuant to the requirements of House Bill No. 5103.
April 12, 2012	The OEL presented the six potential funding formulas to the coalitions and also made the information available to other stakeholders through means such as the OEL's Web site. None of the six potential funding formulas were utilized as the final 2012-13 fiscal year formula.
April 17, 2012	The Governor signed House Bill No. 5001, the General Appropriations Act, into law. The Act stated that funds included in the appropriation for the School Readiness Program were to be allocated to the coalitions as provided for in House Bill No. 5103 based on funding formula recommendations made by the OEL to the Conference. The Act also provided that, if the Conference principals were unable to agree on the recommended formula and allocations for the 2012-13 fiscal year, the 2012-13 fiscal year allocations were to be calculated in the same manner as the 2011-12 fiscal year allocations.
April 20, 2012	The Governor vetoed House Bill No. 5103. The Governor's veto message, in part, instructed the OEL to review child care payment rates to ensure fair and equitable rates were being paid to child care providers Statewide.
April 24, 2012	The 2012-13 fiscal year DCD data was provided by legislative staff to the OEL.
May 4, 2012	The OEL presented to the coalitions three potential funding formulas updated as part of the OEL's effort to review child care payment rates and also made the information available to other stakeholders through means such as the OEL's Web site. None of the three potential funding formulas were utilized as the final 2012-13 fiscal year formula.
May 16, 2012	The EDR provided the OEL updated demographic data.
June 25, 2012	The OEL officially released the planned 2012-13 fiscal year allocation amounts to the coalitions. The allocations were based on a formula utilizing a 6-year phase-in, demographic data estimates prepared in August 2011 by the EDR, and the DCD effective for the 2011-12 fiscal year.

Source: Audit analysis and OEL-provided information.

EXHIBIT B
MANAGEMENT’S RESPONSES

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EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSES
OFFICE OF EARLY LEARNING



Florida Office of Early Learning

Rick Scott
Governor
Shan Goff
Executive Director

January 18, 2013

Mr. David W. Martin
Auditor General
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

Pursuant to Section 11.45(4)(d), Florida Statutes, the enclosed response is provided for the preliminary and tentative audit findings for inclusion in the Auditor General's operational audit of the Office of Early Learning and Select Early Learning Coalitions.

Thank you for providing us the opportunity to respond to your preliminary findings. The Office of Early Learning and the Early Learning Coalitions have worked together to provide you with a joint response. We have included letters from each coalition involved in the audit and have identified the contributor within each response.

If you have any questions concerning this response, please contact Stephanie L. Gehres, Deputy Director of Operations, at (850)717-8598.

Sincerely,

A handwritten signature in cursive script that reads "Shan Goff".

Shan Goff
Executive Director

Florida Office of Early Learning
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EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSES
OFFICE OF EARLY LEARNING AND SELECT EARLY LEARNING COALITIONS

OFFICE OF EARLY LEARNING and Select EARLY LEARNING COALITIONS
 Follow-Up on Prior Audit Findings

OFFICE OF EARLY LEARNING (OEL)

Finding No. 1: Potential Improper School Readiness Program Payments

The OEL did not conduct data matches between School Readiness Program information and Reemployment Assistance (RA) payment data. Our comparison of Program information and RA payment data identified individuals who potentially were improperly receiving Program benefits under a work-dependent eligibility category while also collecting RA benefits.

Recommendation: We again recommend that the OEL routinely conduct data matches between School Readiness Program information and RA payment data in order to ensure the proper payment of School Readiness Program benefits under work-dependent eligibility categories.

OEL Response: OEL will continue its efforts to ensure the proper payment of School Readiness (SR) Program benefits under work-dependent eligibility categories. As noted in the finding, on July 3, 2012, OEL executed a data sharing agreement with the Department of Economic Opportunity (DEO) and the Department of Revenue (DOR) to provide OEL employer and wage information, as well as RA payment data (also referred to as the Unemployment Tax portion of the Unemployment Compensation (UC) Program), for use in the detection, investigation, and prevention of potential improper payments in the School Readiness (SR) Program.

As of January 14, 2013, the first OEL data match between the SR Program information and RA Payment/UC Program data was completed. OEL's procedures for these data, for use in the detection, investigation, and prevention of potential improper payments, include the following:

- append the matched data to include other SR data necessary for the investigation of potential improper payments (e.g., SR payments made);
- determine eligibility or ineligibility for SR Program (see below);
- determine whether each case is complete and legally sufficient for submission to the Department of Financial Services (DFS);
- submit to DFS for investigation for fraud, if warranted (including improper/overpayment of funds; see below); and
- track to resolution.

As indicated above, it is critical to determine whether individuals found in the matched data set and thereby collecting funds from both the SR Program and RA Payment/UC Program:

- are eligible to receive these funds for a period of time that fell within an allowable SR Program "break in employment," (see Rule 6M-4.210, Florida Administrative Code (FAC));
- are eligible to receive these funds while receiving part-time earnings (see State of Florida, Department of Economic Opportunity, *Florida's Reemployment Assistance Program*);
- are eligible to receive these funds, as they are participating in allowable educational activities (see Rule 60M-4.100(5) and (22));
- have misreported their income but are still eligible for both programs at a reduced rate; or

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSES
OFFICE OF EARLY LEARNING AND SELECT EARLY LEARNING COALITIONS

OFFICE OF EARLY LEARNING and Select EARLY LEARNING COALITIONS
Follow-Up on Prior Audit Findings

- are ineligible to receive these funds.

In cases where it is determined that income was misreported, appropriate actions will be taken to collect the required parent co-payment, as required by Rule 6M-4.400, FAC.

The data match between the SR Program and the RA Payment/UC Program will occur on a monthly basis with a required quarterly review conducted by the ELC and OEL staff. OEL will take the necessary steps to ensure the proper payment of SR Program benefits under work-dependent eligibility categories.

OEL also has a data sharing agreement with the Department of Revenue (DOR) to provide OEL with employer and wages information. As of January 18, 2013, the first match has been completed. Staff from both agencies are reviewing technical issues in order to identify the most cost effective way to process the matched data sets. Upon refinement of the data matching rules, OEL will provide the employer and wages information to the respective early learning coalition for use in verification periodic redetermination of client eligibility.

In summary, OEL will continue to improve its efforts to ensure the proper payment of SR Program benefits under work-dependent eligibility categories. These efforts will be further enhanced with the implementation of the Early Learning Information System.

Finding No. 2: School Readiness Funding Formula

The formula utilized for allocating School Readiness Program funds among the coalitions for the 2012-13 fiscal year did not appear to fully comply with the statutory framework or be consistent with legislative intent. Additionally, the formula incorporated a factor that did not clearly relate to the purpose of the Program and statutory requirement of equity for each county, did not utilize the most current data available, and contained an error which resulted in an under-allocation to the Hillsborough County Coalition.

Recommendation: We recommend that the State continue efforts to utilize a School Readiness Program funding formula that fully conforms to the requirements of State law.

OEL Response: OEL will continue its effort to utilize a SR Program allocation formula that fully conforms to the requirements of state law. On December 21, 2012, OEL submitted its revised funding formula for 2012-13 that mirrored the allocation that was implemented in July 2012. As directed in Governor Scott's December 7, 2012 letter to the Association of Early Learning Coalitions, and the December 11, 2012 Press Release, a task force will be convened to redefine the funding formula that fully conforms to the requirements of State law. The first meeting is planned for February.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSES
OFFICE OF EARLY LEARNING AND SELECT EARLY LEARNING COALITIONS

OFFICE OF EARLY LEARNING and Select EARLY LEARNING COALITIONS
Follow-Up on Prior Audit Findings

Finding No. 3: The Early Learning Information System (ELIS)

The Early Learning Information System (ELIS) project will incur costs totaling an estimated \$3.4 million that may have been avoidable.

Recommendation: We recommend that the OEL explore all options to minimize costs and further delays associated with the Statewide implementation of ELIS.

OEL Response: OEL will continue to assess and manage the scheduling risks associated with such a large-scale information technology project to minimize the impact and costs resulting from future delays. Staffing levels of the Project Management Office (PMO) and the Independent Verification and Validation (IV&V) partners will be maintained through June 2013 to assist in the management and monitoring of the System Integrator (SI) phase. These monitoring functions support OEL's ability to make financially prudent decisions related to ELIS' schedule, scope, and resources and are reported in great detail to OEL management and legislative staff on a weekly basis. Additionally, the ELIS contract includes a clause for collecting liquidated damages and the OEL will enforce this clause as appropriate.

Finding No. 4: OEL Fiscal Guidance – Tangible Personal Property

The OEL's fiscal guidance for coalition tangible personal property did not always reflect current operational practices.

Recommendation: To better ensure accountability over coalition tangible personal property, we recommend that the OEL update Fiscal Guidance 240.02 to reflect current operational practices.

OEL Response: OEL will continue to take steps to ensure accountability over coalition tangible personal property. OEL's Fiscal Guidance 240.02 was revised in October 2012, and detailed training on the revised guidance was provided to OEL and coalition staff via webinar. Fiscal Guidance 240.02 was formally reissued on December 11, 2012.

Finding No. 5: School Readiness Outcome Measures and Quality Rating and Improvement System

While progress had been made to address deficiencies related to the establishment of Statewide outcome measures and a Statewide Quality Rating and Improvement System (QRIS) for the School Readiness Program, further efforts are necessary.

Recommendation: We recommend that the OEL, in collaboration with the coalitions, continue efforts to establish and implement Statewide outcome measures and a Statewide QRIS for the School Readiness Program.

OEL Response: OEL, in collaboration with the coalitions, will continue its efforts to establish and implement statewide outcome measures and QRIS for the SR Program.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSES
OFFICE OF EARLY LEARNING AND SELECT EARLY LEARNING COALITIONS

OFFICE OF EARLY LEARNING and Select EARLY LEARNING COALITIONS
 Follow-Up on Prior Audit Findings

School Readiness Outcome Measures: Classroom Assessment - As noted in the finding, beginning in 2012, a statewide voluntary program for classroom assessment, the Classroom Assessment and Scoring System (CLASS), was initiated. To date, 11 coalitions are participating. OEL will review the results of this initiative at the conclusion of this pilot program.

School Readiness Outcome Measures: Uniform Child Screening - Rule 6M-4.720, FAC - Screening of Children in the School Readiness Program was adopted on November 15, 2012. As required by Rule 6M-4.702(2), FAC, by July 1, 2013, all coalitions will coordinate with parents or providers to complete the initial screening for each child, no later than 45 calendar after enrollment. Efforts also continue to develop the necessary interface between the current system, used to report screening results, and ELIS so that these data can be reported and aggregated at the state level.

School Readiness Outcome Measures: Child Assessment – On February 17, 2012, a workshop was held on Proposed Rule 6M-4.703, FAC – Assessment of Children in the School Readiness Program, to solicit input and recommendations. OEL is continuing to review the status of the instruments used by the coalitions to determine the appropriate next steps to ensure that data is available and aggregated at the state level to assess program effectiveness.

Statewide Quality Rating and Improvement Systems: As noted in the finding, OEL continues to make progress towards the development of a Statewide Quality Rating and Improvement System. All related activities are currently under review to ensure that such a system is implemented.

EARLY LEARNING COALITIONS

Finding No. 6: : School Readiness Waiting Lists

Miami-Dade/Monroe Coalition's School Readiness Program waiting list did not appear to have been managed in accordance with applicable Federal regulations and OEL Rules.

Recommendation: We recommend that the Miami-Dade/Monroe Coalition ensure that only eligible children are included on the Coalition's School Readiness Program waiting list, in conformity with applicable Federal regulations and OEL Rules.

Miami-Dade/Monroe Response. The Early Learning Coalition (ELC) of Miami Dade/Monroe will ensure that only eligible children are included on the Coalition's School Readiness Program waiting list. This is one of the administrative functions that the ELC will perform "in-house" instead of via a subcontractor. This change will enable the ELC to more closely monitor these data on a daily basis to ensure compliance with applicable Federal regulations and OEL rules. For the next 12 months, Quality Assurance testing will be conducted on an ongoing basis by the ELC and quarterly by the current contracted auditors.

Finding No. 7 Coalition Personnel Background Screenings

Some coalitions did not maintain documentation demonstrating that all employees timely received background screenings as a condition of employment and continued employment.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSES
OFFICE OF EARLY LEARNING AND SELECT EARLY LEARNING COALITIONS

OFFICE OF EARLY LEARNING and Select EARLY LEARNING COALITIONS
 Follow-Up on Prior Audit Findings

Recommendation: We again recommend that the coalitions ensure that all employees timely undergo level 2 screenings as a condition of employment and continued employment.

Hillsborough Response: The ELC of Hillsborough is currently in full compliance with this requirement. The screenings, noted in this finding, were delayed because the coalition was waiting to receive a VECHS number from the State which is required to utilize a recently purchased Live Scan machine to facilitate more timely background screening.

Escambia Response: The ELC of Escambia County has established policies in place to conduct background screening on employees. It should be noted, that the individual mentioned in the original Auditor General report had been screened as a condition of employment, and was immediately processed for rescreening in order to meet screening documentation requirements. However, due to administrative issues involving the ELC, the Department of Children and Families (DCF), and L1 (the DCF contract screening company), the results were never received. To ensure that background screenings are conducted in a timely manner, the ELC of Escambia obtained its own VECHS account, and no longer depends on third parties for providing the results of staff background screenings. The individual noted above was rescreened in response to the Auditor General Operational Audit and the results were received and provided to Auditor General.

Finding No. 8: Tangible Personal Property Controls

Some coalition tangible personal property records did not include for all property items information required by Federal regulations and OEL guidance. Additionally, some coalition tangible personal property procedures did not include all Federal, State, and OEL requirements.

Recommendation: We recommend that the coalitions implement controls to ensure that required tangible personal property information is recorded for all applicable items and that coalition policies and procedures address all the Federal, State, and OEL requirements.

Big Bend Response: The ELC of the Big Bend will implement controls to ensure required tangible personal property information is recorded for all applicable items. Tangible Personal Property policies and procedures that address all Federal, State, and OEL requirements are targeted to be completed, with controls implemented, by June 30, 2013.

Marion Response: The ELC of Marion County will continue to implement controls to ensure that the required tangible personal property information is recorded for all applicable items and that coalition policies adhere to the requirements. To address this finding, the Coalition corrected the typographical error in its policy for the completion date for property inventory from October 31st to October 1st. Additionally, the Inventory Form to be completed for submission to OEL has been modified to include the required statement that title to all property rests with the Coalition.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSES
OFFICE OF EARLY LEARNING AND SELECT EARLY LEARNING COALITIONS

OFFICE OF EARLY LEARNING and Select EARLY LEARNING COALITIONS
Follow-Up on Prior Audit Findings

Orange Response: The ELC of Orange County will continue to implement controls to ensure that the Coalition's policies adhere to the requirements and will updated its policy to reflect our actual practice of requesting prior approval on selected items, when required by OMB Circular A-122 or OEL, as well as distributing a list of surplus property for other Coalition consideration. Further, the ELC will update our policy to include reporting stolen property to the appropriate law enforcement agency and correct the citation for current state administrative rules relating to surplus/excess property.

Polk Response: The ELC of Polk County will continue to implement controls to ensure that the required tangible personal property information is recorded for all applicable items and has implemented the inventory protocol to ensure that tangible property is recorded accurately and follows Coalition, Federal, State and OEL requirements. The Coalition's Master Inventory List is a combination of Coalition and former subcontractor inventory that was acquired. To date, all inventory tags and model numbers have been recorded and verified and the funding source and condition of items have been added to master inventory list. Any missing acquisition costs have been replaced with the fair market value for the items.

Finding No. 9: Coalition Information Technology Security Control Policies and Procedures

Marion County Coalition's information technology security control policies and procedures did not reflect current Coalition practices.

Recommendation: We recommend that the Marion County Coalition ensure that its IT security control policies and procedures reflect current Coalition practices designed to protect the confidentiality, integrity, and availability of data and IT resources.

Marion Response: The ELC of Marion County has revised its security control policies and procedures to reflect current Coalition practices designed to protect the confidentiality, integrity, and availability of data and IT resources.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSES
EARLY LEARNING COALITION OF THE BIG BEND REGION



Chief Executive Officer
 Lauren Faison

Executive Committee
 Bryan Desloge
Chair

Monesia Brown
Vice Chair

Linda Nelson
Secretary

Kim Kelling Engstrom
Treasurer

Board Members

- Josh Aubuchon
- Kim Barnhill
- Jeremy Cohen
- Maureen Daughton
- Larry DiPietro
- Stacey Duggar
- Willy Gamalero
- Sharon Gaskin
- Chris L. Jensen, Jr.
- Jeanne Martin
- Dr. Luisa Martin
- Kimberly Moore
- Jeanna Olson
- Tara Orlowski
- Dr. Rachel Pienta
- Maria Pouncey
- Carrie Rubenstein
- Angel Trejo

January 17, 2013

Mr. David W. Martin
 Auditor General
 111 West Madison Street
 Tallahassee, Florida 32399-1450

Dear Mr. Martin:

Pursuant to Section 11.45(4)(d), Florida Statutes, the enclosed response is provided for the preliminary and tentative audit findings for inclusion in the Auditor General's operational audit of the Office of Early Learning and Select Early Learning Coalitions.

Thank you for providing us the opportunity to respond to your preliminary findings. The Florida Office of Early Learning and the Early Learning Coalitions have worked together to provide you with a joint response. We appreciate the opportunity to clarify specific findings that you identified.

If you have any questions concerning this response, please contact Lauren Faison, CEO at 850.385.0504

Sincerely,

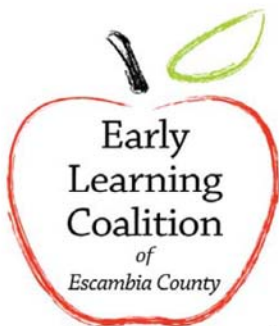
Lauren Faison
 Chief Executive Officer



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EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSES
EARLY LEARNING COALITION OF ESCAMBIA COUNTY



Board of Directors

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United Way
of Escambia County



January 17, 2013

Mr. David W. Martin
 Auditor General
 111 West Madison Street
 Tallahassee, Florida 32399-1450

Dear Mr. Martin:

Pursuant to Section 11.45(4)(d), Florida Statutes, the enclosed response is provided for the preliminary and tentative audit findings for inclusion in the Auditor General's operational audit of the Office of Early Learning and Select Early Learning Coalitions.

Thank you for providing us the opportunity to respond to your preliminary findings. The Early Learning Coalition of Escambia County has worked with the Florida Office of Early Learning to provide you with a joint response. We have included documents which support our responses in the information provided to OEL which was the basis for our response. The Coalition's Executive Committee has reviewed the responses submitted by this Coalition.

If you have any questions concerning this response, please contact Walter B. Watson, Jr. at bwatson@elcescambia.org or 850.595.5402.

Sincerely,

Walter B. Watson, Jr.
 Executive Director

CC: Florida Office of Early Learning

3636D North L Street, Suite A, Pensacola, FL 32505
 Tel: (850) 595-5400 Fax: (850) 595-5405 · www.elcescambia.org

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSES
EARLY LEARNING COALITION OF HILLSBOROUGH COUNTY



January 17, 2013

Mr. David W. Martin:
Auditor General
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

Pursuant to Section 11.45(4)(d), Florida Statutes, the enclosed response is provided for the preliminary and tentative audit findings for inclusion in the Auditor General's operational audit of the Office of Early Learning and select Early Learning Coalitions.

Thank you for providing the ELC of Hillsborough County the opportunity to respond to your preliminary findings. The Office of Early Learning and the Early Learning Coalition of Hillsborough have worked together to provide you with a joint response.

If you have any questions concerning this response, please contact Dave McGerald at (813) 204-1769.

Sincerely,

Dave McGerald, CEO



EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSES
EARLY LEARNING COALITION OF MARION COUNTY



www.elc-marion.org

3304 SE Lake Weir Avenue, Suite 2
Ocala, FL 34471

Phone (352) 369-2315

Fax (352) 369-2475

January 16, 2013

Mr. David W. Martin
Auditor General
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

Pursuant to Section 11.45 (4) (d), Florida Statutes, the enclosed response is provided for the preliminary and tentative audit findings for inclusion in the Auditor General's operational audit of the Office of Early Learning and select Early Learning Coalitions.

Thank you for providing us the opportunity to respond to your preliminary findings. The Office of Early Learning and the Early Learning Coalitions have worked together to provide you with a joint response, thereby allowing you to have one document instead of many, to review as you consider the responses.

If you have any questions concerning the responses of Marion County, please feel free to contact me directly at (352) 369-2315 or at rfricks@elc-marion.org.

Sincerely,

Roseann Fricks
Executive Director

In partnership with



EXHIBIT B (CONTINUED)
MANAGEMENT’S RESPONSES
EARLY LEARNING COALITION OF MIAMI-DADE/MONROE



2555 Ponce de Leon Blvd. 5th Floor; Coral Gables, FL 33134
 Tel: (305) 646-7220 Fax: (305) 447-1608 Web: www.elcmdm.org

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Evelio C. Torres, M.P.A.

January 17, 2013

Mr. David W. Martin
 Auditor General
 111 West Madison Street
 Tallahassee, Florida 32399-1450

Dear Mr. Martin:

Pursuant to Section 11.45(4)(d), Florida Statutes, the enclosed response is provided for the preliminary and tentative audit findings for inclusion in the Auditor General’s operational audit of the Office of Early Learning and Select Early Learning Coalitions.

Thank you for providing us the opportunity to respond to your preliminary findings. The Office of Early Learning and the Early Learning Coalitions have worked together to provide you with a joint response. We appreciate the professionalism of the AG staff and their promptness in responding to our questions.

Sincerely,

Evelio C. Torres, M.P.A.
 President and CEO

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSES
EARLY LEARNING COALITION OF ORANGE COUNTY



January 7, 2013

Mr. David W. Martin
Auditor General
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

On behalf of the ELC of Orange County, thank you for the opportunity to respond to the preliminary findings noted in the December 19, 2012 report. Reviews such as these are helpful in strengthening the confidence taxpayers have in our internal accountability systems.

We appreciate the professionalism of the review team members and the dedication of the draft report preparation team to provide a balanced analysis of the findings.

If you have any questions concerning ELC of Orange County responses, please contact me directly at (407) 841-6607 extension 106.

Sincerely,

Karen Willis, CWDP
Chief Executive Officer
Early Learning Coalition of Orange County

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSES
EARLY LEARNING COALITION OF POLK COUNTY



January 16, 2013

Mr. David W. Martin
Auditor General
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Mr. Martin:

The Early Learning Coalition of Polk County always strives to fulfill its duties and responsibilities in the most efficient and productive manner while attempting to adhere to all state, federal, and legal regulations. To this end, the Coalition welcomes reviews and monitoring from agencies such as the Auditor General as opportunities to improve the operation of our programs.

Thank you for the opportunity to respond to your preliminary findings and for prospects to enhance the way our business may be conducted.

Sincerely,



Gilbert Rincon
Chief Executive Officer

115 S. Missouri Ave., Ste. 501, Lakeland, FL 33815
Phone: (863) 733-9064
Fax: (863) 733-9081