

**DEPARTMENT OF MANAGEMENT
SERVICES**

**STATEWIDE LAW ENFORCEMENT
RADIO SYSTEM AND
PRIOR AUDIT FOLLOW-UP**

Operational Audit



SECRETARY OF THE DEPARTMENT OF MANAGEMENT SERVICES

Section 20.22, Florida Statutes, creates the Department of Management Services. The head of the Department is the Secretary, who is appointed by the Governor and subject to confirmation by the Senate. The following individuals served as Secretary during the period of our audit:

| | |
|------------------------|----------------------|
| Craig Nichols | From July 9, 2012 |
| Scott Stewart, Interim | Through July 8, 2012 |

The audit team leader was Lynley Trent, CPA, and the audit was supervised by Christi Alexander, CPA. Please address inquiries regarding this report to Christi Alexander, CPA, Audit Manager, by e-mail at christialexander@aud.state.fl.us or by telephone at (850) 412-2786.

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DEPARTMENT OF MANAGEMENT SERVICES

Statewide Law Enforcement Radio System and Prior Audit Follow-Up

SUMMARY

This operational audit of the Department of Management Services (Department) focused on the Department's administration of the Statewide Law Enforcement Radio System (SLERS) and the Emergency Communications Number E911 System Fund. The audit also included a follow-up on the findings noted in our report No. 2013-090. Our audit disclosed the following:

STATEWIDE LAW ENFORCEMENT RADIO SYSTEM

Finding No. 1: Contrary to Department rules, the Department did not always authorize, in writing, an applicant's use of SLERS.

Finding No. 2: The Department did not appropriately account for the State's proportionate share of revenues provided by the Department's contract with Harris. Additionally, the Department had not established policies and procedures to evaluate the accuracy and completeness of the reported revenue amounts from SLERS partners and third-party tenants.

Finding No. 3: The Department had not sought an independent evaluation of, or requested and reviewed independent service auditor's reports related to, the controls designed and established by Harris Corporation (Harris) for the SLERS Communications System Director.

Finding No. 4: Department documentation did not always clearly demonstrate that sufficient contract monitoring had been performed to verify that contractual requirements were met or, if not, that any contractor performance deficiencies were appropriately and timely remedied.

FLORIDA FACILITIES POOL

Finding No. 5: Improvements are still needed to ensure that leases for all Florida Facilities Pool space are accounted for and that the rental rates for all FFP space are assessed in appropriate amounts.

INFORMATION TECHNOLOGY CONTROLS

Finding No. 6: As similarly noted in our report No. 2013-090, incompatible Florida Accounting Information Resource Subsystem (FLAIR) access privileges were granted to a number of employees and the Department did not always timely cancel FLAIR access privileges upon an employee's separation from Department employment.

BACKGROUND

The Department of Management Services (Department) serves as the business arm of State government, and as such, provides a variety of centralized services including State group insurance benefits administration, human resource management support, State facilities management, private prison contract management, and administration of the Florida Retirement System. The Department also provides telecommunication services to State and local governments and certain other entities. The mission of the Department, Division of Communications, Public Safety Bureau, is to provide the highest quality Emergency 911 and radio communications services to the public safety sector in the State.

FINDINGS AND RECOMMENDATIONS

Statewide Law Enforcement Radio System

The Statewide Law Enforcement Radio System (SLERS) is the State's primary public safety communication system and serves as a single, unified digital radio network for the radio voice communication needs of State law enforcement officers and other participating agencies throughout the State. The SLERS all-digital radio network covers over 60,000 square miles (including 25 miles offshore) with 98 percent mobile coverage and portable coverage in selected areas. According to Department records, SLERS serves approximately 20,500 radios in patrol cars, boats, motorcycles, and aircraft throughout the State. State law¹ provides that the Department is responsible for ensuring the proper operation and maintenance of SLERS.

In 2000, the Department entered into a public-private partnership with Com-Net Ericsson Critical Radio Systems, Inc. (Com-Net), whereby Com-Net received \$40 million to take ownership of the SLERS infrastructure, complete its construction, and supervise future maintenance. The resulting 20-year contract provided that Com-Net, and its successor, Harris Corporation (Harris),² was to receive, subject to legislative appropriations, quarterly payments based on the amount of specified net funds deposited into the State Agency Law Enforcement Radio System Trust Fund (Trust Fund). These funds include a \$1 annual surcharge³ on initial and renewal registrations of motor vehicles and vessels and a \$3 surcharge⁴ on traffic and criminal traffic violations. Department management reported in response to our audit inquiry that since the inception of the contract, quarterly contract payments from the Trust Fund have totaled over \$280 million. The contract, as further described in finding No. 3, also affords Harris the opportunity to leverage public and private use of the radio portion of SLERS for additional revenue, which is to be shared with the State. Pursuant to the contract, the State agreed to provide sustainable funding, project management, contract oversight, engineering, frequency licensing, and regulatory management.

As discussed in finding Nos. 1 through 4, our audit procedures disclosed several deficiencies and areas in which the Department's administration and oversight processes and procedures could be improved to better ensure the proper operation and maintenance of SLERS.

Finding No. 1: SLERS Partner Application and Agreement

Department rules⁵ specify that applicants seeking to use SLERS are to complete a *SLERS Partner Application and Agreement* and submit it to the Department. Department staff are to notify Harris within 7 days of receipt of an application. Harris is then to submit a proposal to the applicant and, upon Harris and the applicant reaching an agreement to use SLERS, Harris is to submit the proposed agreement to the Department. Pursuant to Department rules,⁶ the Department has 60 days to review the proposed agreement for completeness and compliance with Department rules and provide Harris and the applicant with recommendations regarding the proposed agreement and requests for changes or additions necessary to ensure compliance.

¹ Section 282.709(1)(b), Florida Statutes.

² In May 2009, Harris Corporation acquired M/A-Com, Inc., formerly Com-Net Ericsson Critical Radio Systems, Inc.

³ Sections 320.0802 and 328.72(9), Florida Statutes.

⁴ Section 318.18(17), Florida Statutes.

⁵ Department Rule 60FF-4.003(1), Florida Administrative Code.

⁶ Department Rule 60FF-4.003(5), Florida Administrative Code.

After the proposed agreement satisfies Department review, the agreement is to be presented to the Joint Task Force on State Agency Law Enforcement Communications (JTF)⁷ for review and comments. Pursuant to State law,⁸ the JTF is to meet as necessary, but at least quarterly. Upon satisfactory completion of the procedures set forth in Department rules, the Department is to authorize, in writing, the applicant's use of SLERS.⁹ Department rules provide that written approvals may include special conditions for the applicant's use of SLERS, such as limits on the approved number of radios and users.

As part of our audit, we evaluated the processes used by the Department and the JTF to review and approve the use of SLERS and determined whether approvals were made in accordance with Department rules. Our audit procedures disclosed that the Department did not always provide written authorization for an applicant's use of SLERS. Specifically, our examination of Department records for the six SLERS partner¹⁰ agreements entered into during the period July 2012 through January 2014 disclosed that the Department did not provide written authorization for four applicants' use of SLERS. Therefore, while the four applicants' SLERS agreements included special conditions, the Department had not incorporated the special conditions into a written Department approval. In response to our audit inquiry, Department management indicated that, while no written Department approval records could be located, the minutes of JTF meetings indicated that these four applicants had been approved to use SLERS. However, Department management further indicated that they would begin sending letters to applicants, as similarly done in years past, informing the applicants of approval SLERS use.

Absent records of written authorization, the Department cannot demonstrate that an applicant's use of SLERS, and any special conditions related to that use, was appropriately reviewed and approved in accordance with Department rules.

Recommendation: We recommend that Department management ensure that reviews and authorization for each applicant's use of SLERS is documented in accordance with Department rules.

Finding No. 2: SLERS Partner and Third-Party Tenant Revenue

State law¹¹ allows the Department to rent, lease, or sublease tower space as necessary for the construction and operation of SLERS. The terms of the contract between the Department and Harris allowed Harris to market the radio portion of SLERS to eligible third-party subscribers (SLERS partners) and third-party tenants,¹² so long as each subscriber's use in no way diminished the State's use of SLERS. The agreements between Harris and third-party

⁷ Pursuant to Section 282.709(2), Florida Statutes, the JTF consists of members representing each of the following State agencies: Department of Business and Professional Regulation, Division of Alcoholic Beverages and Tobacco; Department of Highway Safety and Motor Vehicles, Division of Florida Highway Patrol; Department of Law Enforcement; Fish and Wildlife Conservation Commission; Department of Corrections; Department of Financial Services, Division of State Fire Marshal; and Department of Transportation.

⁸ Section 282.709(2)(d), Florida Statutes.

⁹ Department Rule 60FF-4.003(8), Florida Administrative Code.

¹⁰ SLERS partners are classified in Department Rule 60FF-4.002, Florida Administrative Code, as local first responders (agencies of local government providing law enforcement, fire, and emergency medical services), other public safety users (agencies of local government other than first responders), interoperability users (government agencies requiring communication with Federal, State, or local government first responders; however, inoperability users use another radio system for their primary radio system and SLERS as a secondary system), State Government users (non-JTF user agencies of State Government), Federal Government users, and affiliate users (personnel who are task-assigned or serve as liaison to a JTF agency in direct support of the JTF agency's mission but are not a member of the JTF agency).

¹¹ Section 282.709(1)(c), Florida Statutes.

¹² Third-party tenants (e.g., private communications companies) are entities to which Harris leases space on towers conveyed to Harris by the State.

tenants were contingent upon the Department's review and approval of radio frequency interference and tower structural analyses, and site plan review.

Pursuant to the Department's contract with Harris, revenues from SLERS partners were to be collected by Harris in amounts determined by the rates set forth in agreements executed between Harris and the SLERS partners. Additionally, revenues were to be collected by Harris from third-party tenants leasing tower space under a tower site agreement. According to the contract terms, the State was to receive 5 percent of the gross revenues generated by Harris from SLERS partners and 15 percent of net revenues¹³ generated by Harris from third-party tenant rentals on towers conveyed to Harris by the State. Pursuant to State law,¹⁴ all moneys collected by the Department for rents, leases, and subleases are to be deposited into the Trust Fund to be used by the Department to construct, maintain, or support SLERS.

On a quarterly basis, the contract required Harris to pay or provide credit in goods and services to the State for its proportionate share of revenues from SLERS partners and third-party tenants. As support for the calculation of the State's proportionate share, and to meet contractual reporting requirements, Harris provided quarterly reports that included, among other things, the names of each SLERS partner and third-party tenant, the revenues received during the quarter, the portion of the quarterly revenues to be paid to the State, and third-party utilization. In lieu of payment for the State's proportionate share of SLERS partner and third-party tenant revenue, the Department elected to accept credits provided quarterly by Harris for the revenue amounts due. Consequently, the credits were available to the Department when calculating the quarterly contract payment amounts due to Harris.

As part of our audit, we evaluated Department processes for ensuring the accuracy and completeness of the State's proportionate share of the revenues from the SLERS partners and third-party tenants and for applying the credits from Harris to the required quarterly contract payments. Our audit procedures disclosed that:

- The Department had not established written policies and procedures related to the quarterly processing of credits for the State's proportionate share of revenues from SLERS partners and third-party tenants. In response to our audit inquiry, Department management stated that it was the Department's practice to accumulate the credits and annually deduct the cumulative amount from the payments made to Harris. However, we found that Department staff had not deducted any credits from the payments made to Harris during the 2010-11, 2011-12, or 2012-13 fiscal years. Instead, the Department deducted cumulative credits, for revenues earned during the period July 2010 through September 2013 and totaling \$617,332, from the payments made to Harris for the quarters ended December 30, 2013, and March 30, 2014.
- The Department had not established policies and procedures for evaluating the accuracy and completeness of the amounts reported by Harris as revenue from the SLERS partners and third-party tenants. In response to our audit inquiry, Department management indicated that although written policies and procedures related to the accuracy and completeness of the revenue amounts had not been established; some verification actions were routinely performed. The actions described by management included spot checks for consistency in amounts reported for SLERS partners and staff reviews of the quarterly summary reports provided by Harris to verify amounts were reported for new SLERS partners. However, these actions were not consistently documented. Department management also stated that, due to an insufficient number of available staff, no verification actions were performed for third-party tenant revenues. We also noted that Department staff's verification actions considered the amounts of revenue collected by Harris, rather than the gross revenues generated by the agreements with SLERS partners and third-party tenants.

As the Division's actions to verify the accuracy and completeness of the revenue amounts were not consistently documented, we performed audit procedures to analyze the reasonableness of the amounts. Our

¹³ The contract defines the term "net revenues," as it pertains to third-party tenant rentals, as all revenues received less ground rent.

¹⁴ Section 282.709(1)(c)4., Florida Statutes.

analyses of the quarterly summary reports submitted by Harris to the Department disclosed significant fluctuations in the reported SLERS partner and third-party tenant amounts. In response to our audit inquiry, Department management indicated that such fluctuations could be attributed to Harris' deferral of payments from one quarter to the next for those SLERS partners and third-party tenants that had difficulty making payments. Additionally, Department management stated that differences could occur because the SLERS partners and third-party tenants may terminate service with Harris, fail to timely submit a payment, or submit past due amounts along with a given month's payment.

Absent established policies and procedures for verifying the accuracy and completeness of the State's proportionate share of the revenues from the SLERS partners and third-party tenants, and for applying the credits from Harris to required quarterly payments, Department management has limited assurance that the State is timely receiving its proportionate share of revenues. To verify the revenue amounts due from SLERS partners, Department staff could, for example, multiply the reported third-party utilization by the monthly access fee stipulated in the third-party services agreements and then calculate the State's proportionate share. Additionally, to verify the revenue amounts due from third-party tenants, Department staff could obtain the tower rental rates from the tower site agreements. Such monitoring efforts would assist the Department in identifying and seeking explanations and, if appropriate, corrective actions for fluctuations and inconsistencies in reported amounts.

Recommendation: To ensure that the State timely receives its proportionate share of revenues from SLERS partners and third-party tenants, we recommend that Department management establish policies and procedures designed to ensure that applicable credits are deducted from the quarterly contract payments. Additionally, to ensure that the State receives all the revenues to which it is entitled, we recommend that Department management establish policies and procedures to evaluate the accuracy and completeness of the reported revenue amounts due from SLERS partners and third-party tenants.

Finding No. 3: Evaluation of Service Auditor's Reports

Pursuant to the Department's contract with Harris for SLERS operation and maintenance, Harris utilized the Communications System Director (CSD)¹⁵ to manage the SLERS radio communication system referred to as the Enhanced Digital Access Communications System (EDACS).¹⁶ Harris used the CSD to configure EDACS, monitor EDACS activity in real time, maintain user databases, monitor EDACS status, and simultaneously control other types of activities. Additionally, the CSD provided alarms, reports, and database management.

The Department received output data and reports from Harris through the CSD and utilized the information to review outages for sites and channels; identify patterns of radio frequency interference, common outages that occur throughout the system, and system components with high failure rates; and review system utilization and distribution of traffic across available channel resources. As the CSD is owned and controlled by Harris, Department management must rely on the controls established by Harris to ensure the accuracy and completeness of CSD information. However, our audit procedures disclosed that the Department had not sought an independent evaluation of, or requested and reviewed an independent service auditor's report¹⁷ related to, the effectiveness of the

¹⁵ The CSD is a multi-tasking computer that serves as Harris' management platform for the SLERS radio communication system.

¹⁶ The EDACS is a radio communications infrastructure owned by Harris and designed to provide secure, reliable two-way radio communications for public safety, utility, government, military, and business and industrial organizations.

¹⁷ A service auditor's report, as described by the American Institute of Certified Public Accountants, Statement on Standards for Attestation Engagements No. 16, *Reporting on Controls at a Service Organization*, provides information and auditor conclusions related to a service organization's controls. Service organizations make service auditors reports available to user organizations to provide assurances related to the effectiveness of the service organization's relevant internal controls. For example, a service organization control (SOC) 2 report may specifically address the effectiveness of controls relevant to information security, availability, processing integrity, confidentiality, and privacy.

controls designed and established by Harris for the CSD. Our audit procedures also disclosed that the Department had not included a contract provision requiring an independent service auditor's report related to the relevant CSD controls be obtained and provided to the Department.

Absent a timely and independent evaluation of the effectiveness of relevant CSD controls, the Department has limited assurance that the CSD information relied upon for the overall operation and maintenance of SLERS is accurate and complete. An independent service auditor's report would provide the Department with valuable information needed to assess and address the risks associated with the CSD and its use.

Recommendation: We recommend that Department management timely request, obtain, and document review of an independent service auditor's report on the effectiveness of controls established for the CSD.

Finding No. 4: SLERS Monitoring

The Department's contract with Harris required Harris to assure SLERS availability in full compliance with the State's requirements through on-site support, geographically distributed service centers, centralized service management, depot repair, and technical assistance. All problem resolution event activity was to be tracked by Harris within the Advance Maintenance Management System (AMMS), a work order tracking database established by Harris. The work category (e.g., major alarm, minor alarm, force majeure,¹⁸ critical alarm), as well as other pertinent information associated with an event (e.g., description of the problem, response time, and resolution of the problem), was to be recorded by Harris in AMMS via a work order. The contract also specified response time requirements and financial penalties when response times were not met. Specifically, from the notification of a critical system failure, Harris had to meet an on-site response time of 2 hours and have the system restored within 6 hours. The contract defined a critical system failure as a significant reduction in the ability to communicate and listed examples, including "site off air," "dispatch console failure," and "site link failure."

According to Department management, as part of the Department's monitoring of SLERS, Department staff daily reviewed all work orders recorded and reported by Harris in AMMS, including those related to system performance, maintenance, and radio user complaints. However, our audit procedures disclosed that, although the Department had work order logs showing Harris' resolution of SLERS maintenance and operation failures, the Department could not demonstrate that their monitoring efforts ensured that Harris' actual response times met the contractually required response times. Specifically, our audit procedures found that there was no correlation between the work category (e.g. major alarm, minor alarm, force majeure, critical alarm) noted by Harris on the work order to the definition or examples of a critical system failure identified in the contract. In response to our audit inquiry, Department management indicated that the classifications used by Harris in AMMS did not directly relate to the contract's terminology and, although not documented, Department staff knew from the work order description whether the event was a critical system failure. Department management also stated that, to their knowledge, since the inception of the contract the Department had never had to assess Harris a penalty for noncompliance with contractual response time requirements.

Effective monitoring evaluates whether the desired service outcomes are being achieved and identifies performance problems as early as possible so that corrective action may be timely initiated. Without sufficient documentation of monitoring activities, the Department cannot clearly demonstrate that contractual services were provided in accordance with contract terms or that any noted deficiencies were appropriately remedied.

¹⁸ Force majeure is an event caused by an industry-wide strike, and industry-wide shortage of materials or component equipment, natural disaster; act of God; act of military or governmental authority and war or civil disorder.

Recommendation: We recommend that Department management ensure that contract monitoring activities are appropriately documented to clearly demonstrate that contractual requirements were met and, if not, that any contractor performance deficiencies were timely and appropriately remedied.

Florida Facilities Pool

State law¹⁹ requires the Department to adopt rules providing for a standard method for the assessment of rent to State agencies and other authorized occupants of State-owned office space. Additionally, the Department is responsible for determining and establishing rental rates charged and computed on a per-square-foot-basis for all facilities in the Florida Facilities Pool (FFP) whether new construction or not. Such rates must be applied uniformly to all agencies using or occupying space in the FFP, with additional charges based upon the elements of service and special requests incidental to facilities in the FFP. The FFP bond resolution states that the Department, Division of Real Estate Development and Management, may not furnish or supply or cause to be furnished or supplied in contravention of any applicable law, any use of the facilities, free-of-charge to any person, firm, or corporation, whether public or private.²⁰

Finding No. 5: Florida Facilities Pool Lease Rental Rates

We noted in our report No. 2013-090, finding No. 5, that contrary to bond resolution requirements, the Department had set and applied rental rates for FFP space that were nominal in amount. As part of our audit follow-up procedures, we interviewed Department management, examined selected Department records, and reviewed lease information for five leases included in the Department’s Facilities Accountability Communications Tool (FACT)²¹ as of May 2014, and noted that Department staff were in the process of comparing the total square footage of space in each of the FFP buildings to that identified in the actual leases to determine whether the square footage of space included in the lease was accurate. However, our audit procedures disclosed that for all five leases we examined, Department staff had continued to apply nominal rates (\$0 to \$1) to the leased FFP space. In addition, for two of the five leases, the Department could not provide lease agreements and, for the other three leases examined, justification was not available for the nominal rates charged.

Absent complete and accurate records, the Department cannot demonstrate that leases for all FFP space were properly accounted for and that the rental rates for all FFP space were assessed in appropriate amounts.

Recommendation: We again recommend that Department management ensure that leases for all FFP space are accounted for and that the rental rates for all FFP space are assessed in appropriate amounts.

Information Technology Controls

The Department utilizes the Florida Accounting Information Resource Subsystem (FLAIR) to authorize payment of Department obligations and to record and report financial transactions. Controls over employee access to FLAIR are necessary to help prevent and detect any improper or unauthorized use of FLAIR. Accordingly, FLAIR access should be: (1) limited to properly authorized employees, (2) appropriate for the employee’s assigned duties and responsibilities, (3) promptly canceled when employees separate from the Department or are reassigned to positions

¹⁹ Section 255.249(9), Florida Statutes.

²⁰ Section 710.2, *Florida Facilities Pool Revenue Bond Resolution*.

²¹ FACT is an in-house developed, Web-based system used by Department personnel to manage a number of functions including lease management and building construction and maintenance.

no longer requiring FLAIR access, and (4) periodically reviewed for appropriateness. Effective access controls also promote an adequate separation of duties.

Finding No. 6: FLAIR Access Controls

As similarly noted in our report No. 2013-090, finding No. 11, our audit follow-up procedures disclosed that Department FLAIR access controls needed enhancement. While Department management indicated in response to our audit inquiry that periodic user access reviews had been performed, our tests of Department FLAIR access controls and Department employee access privileges disclosed that:

- Employees performing financial management functions had been granted update capabilities to incompatible functions in FLAIR. Specifically, our review of FLAIR access privileges for 130 employees, as of July 2014, disclosed that 13 employees had update access to both the disbursement and cash receipts functions; 11 employees had update capabilities to both the disbursement and vendor file functions; and 5 employees had update capabilities to both the fixed assets accounting and fixed assets custodial functions. These incompatible access privileges heighten the risk that errors or fraud may occur and not be timely detected.
- Access to FLAIR was not always timely canceled upon a user’s separation from Department employment. We examined Department records and identified 20 employees with FLAIR access privileges who had separated from Department employment during the period January 2013 through February 2014. We then compared the 20 former employees’ separation dates in People First²² to the dates Department records showed each former employee’s FLAIR access privileges as canceled. For audit purposes, we considered the cancellation of access privileges to be timely if it occurred within 1 business day of the former employee’s separation date. Our audit procedures found that the Department had not timely canceled FLAIR access privileges for 3 of the 20 former employees. FLAIR access privileges for 2 of the 3 former employees were not canceled until 17 and 38 business days had elapsed, respectively, from the dates of employee separation. Additionally, as of September 23, 2014, FLAIR access privileges for the other former employee had remained active for 144 business days after the employee’s separation date. Delays in canceling user access privileges increases the risks of inappropriate access to IT resources and unauthorized disclosure, modification, or destruction of Department data and IT resources.

Recommendation: We recommend that Department management ensure that periodic reviews of FLAIR access privileges are appropriately conducted to identify and remove any excess or incompatible privileges granted to employees. We also recommend that Department management ensure that FLAIR access privileges are canceled immediately upon a user’s separation from employment.

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the Department had taken corrective actions for the findings included in our report No. 2013-090.

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.

²² People First is a Web-based, self-service personnel information system utilized by employees, managers, human resource professionals, and retirees to manage most of the State’s human resource functions.

We conducted this operational audit from February 2014 through July 2014 and selected actions through September 2014 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 the Department's administration of the Statewide Law Enforcement Radio System (SLERS) and the Emergency Communications Number E911 System Fund. 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 identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

Our audit also included steps to determine whether management had corrected, or was in the process of correcting, all deficiencies disclosed in our report No. 2013-090.

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 and records 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:

- Reviewed applicable laws, rules, and contract documents to obtain an understanding of the legal framework governing the Department's administration of SLERS.

- Obtained an understanding of internal controls related to the administration of SLERS and evaluated the effectiveness of key Department processes, policies, and procedures.
- Examined Department records for the six SLERS partner agreements entered into during the period July 2012 through January 2014 to determine whether the Department approved the agreements in accordance with Department rules.
- Examined records for the JTF meetings that occurred during the period July 2012 through January 2014 to determine whether the meetings were conducted in compliance with State laws and contract requirements and if participating SLERS agency needs were being addressed during those meetings.
- Analyzed Department and Harris records for revenues due to and collected by the Department for tower lease and subscriber agreements entered into between Harris and third-parties to determine the reasonableness of the amounts collected.
- Examined Department records for seven contract payments, totaling \$12,845,294, made by the Department to Harris for services provided during the period April 2013 through December 2013 to determine whether the payments were accurate, correctly recorded, properly supported, made in compliance with contract terms and conditions, and made only after deliverables were provided.
- Analyzed FLAIR records for the period July 2012 through December 2013 to determine whether expenditures made by the Department for the Harris contract did not exceed budgeted amounts.
- Analyzed FLAIR records for the period July 2012 through January 2014 to determine whether funds from the State Agency Law Enforcement Radio System Trust Fund were used in accordance with the requirements of Section 282.709, Florida Statutes.
- Examined Department records for 37 tower site visits completed during the period July 2013 through January 2014 to evaluate the Department's process for monitoring the SLERS and contractor compliance with quality control measures.
- Examined Department documentation for 38 work orders recorded as received by Harris during the period July 2012 through January 2014 to determine whether the Department took corrective action, including assessing financial consequences, if applicable, when response times noted in the SLERS contract were not met.
- Interviewed Department personnel, evaluated Department policies and procedures, and examined documentation to determine whether the Department had established an effective process to administer the E911 Fund.
- Obtained an understanding of internal controls and tested key processes and procedures related to E911 Board reporting by:
 - Comparing E911 Board financial records compiled by the E911 Board's accounting firm for the period July 2012 through December 2013 to Department FLAIR records to determine whether E911 Board transactions had been accurately and completely recorded in the State's accounting records.
 - Comparing the E911 Board's approved budget to the E911 Board's actual expenditures for the period July 2012 through January 2014 to determine whether actual expenditures had not exceeded budgeted amounts.
- Obtained an understanding of internal controls, tested key processes and procedures, and evaluated compliance with significant statutory requirements related to E911 fee revenue. Specifically, we:
 - Evaluated the effectiveness of selected E911 Board procedures for identifying all wireless and nonwireless providers operating in the State and for reasonably ensuring the E911 fees due were remitted by providers.
 - Examined Department records for September 2013 fee revenues, totaling \$4,018,622, remitted to the E911 Board by five wireless and five nonwireless providers to determine whether revenues were collected, recorded, and accounted for in accordance with applicable laws and rules.

- Determined whether E911 disbursements were in correct amounts and adequately documented; made in accordance with applicable laws, rules, and contract terms; and properly authorized and approved by examining:
 - Wireless and nonwireless disbursements, totaling \$965,927, made to ten counties during December 2013.
 - Grant award and other documentation, including grant applications, for five rural county grants and five E911 State grants with disbursements totaling \$939,938.
 - Eight E911 Board disbursements, totaling \$2,133,017, made to providers during the period July 2012 through January 2014.
- Examined six rural and four E911 State grant reports associated with grant projects completed during the period July 2012 through January 2014 to determine whether the final reports were timely received and whether unexpended grant funds were refunded to the E911 Board.
- Obtained an understanding of internal controls, tested key processes and procedures, and evaluated compliance with significant statutory requirements related to E911 Board administrative expenditures made during the period July 2012 through January 2014 by examining Department records for 15 expenditure transactions totaling \$24,830.
- Evaluated Department actions taken to correct the deficiencies noted in our report No. 2013-090. Specifically, we:
 - Examined the Department's Annual Regulatory Plan to determine whether the Department had adopted rules that incorporated provisions required by State law.
 - Examined the Department's draft *Guidebook to Public Leasing (Guidebook)* to determine whether the *Guidebook* had been updated with current and correct information.
 - Examined the Department's Strategic Leasing Plan and Master Leasing Report to determine whether the reports included all the elements required by State law.
 - Examined Department records related to the collection of outstanding payments for two lease invoices and reviewed the Department's process for collecting outstanding lease payments to determine whether the Department complied with bond covenant terms relating to the payment of lease charges.
 - Reviewed Department records for five leases included in the Facilities Accountability Communications Tool (FACT) as of May 2014 to determine whether the leases for Florida Facilities Pool space were appropriately accounted for, all rental income was collected, and that lease agreement data was accurately and completely recorded in FACT.
 - Reviewed documentation for seven tenant-broker leases entered into after July 1, 2012, to determine whether a Tenant Broker Evaluation was timely completed and whether appropriate follow-up actions were taken.
 - Reviewed the Department's policies and procedures for granting access privileges to FACT and the accounts receivable application to determine whether the policies and procedures addressed assigning, reviewing, and terminating access.
 - Reviewed access privileges related to 12 FACT user accounts and 8 accounts receivable application user accounts as of June 2014 to determine whether the level of access was appropriate.
 - Verified that the Department had created a FACT user manual.
 - Determined whether the Department had established written policies and procedures that outlined the cost allocation and review process and the fund balance amount needed to maintain sufficient cash flow within the Department's Administrative Trust Fund.
 - Examined FLAIR access control records for 130 employees with FLAIR access privileges as of July 2014 to determine whether any of the employees had incompatible or excessive FLAIR access privileges.

- Evaluated the timeliness of the cancellation of FLAIR access privileges for 20 Department employees who separated from Department employment during the period January 2013 through February 2014.
- Observed, documented, and evaluated the effectiveness of selected Department processes and procedures for:
 - The Department’s budgetary processes.
 - Ensuring the management of Department tangible personal property in compliance with applicable laws and rules. The acquisition costs of Department tangible personal property totaled \$11,727,210 as of January 2014.
 - The assignment and use of motor vehicles with acquisition costs totaling \$1,170,720 as of January 2014.
- 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

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|------------------------------|
| MANAGEMENT’S RESPONSE |
|------------------------------|

In a response letter dated February 20, 2015, the Secretary of the Department provided responses to our audit findings and recommendations. The Secretary’s response is included as **EXHIBIT A**.

EXHIBIT A
MANAGEMENT'S RESPONSE



4050 Esplanade Way
Tallahassee, Florida 32399-0950
Tel: 850.488.2786 | Fax: 850.922.6149

Rick Scott, Governor

Chad Poppell, Secretary

February 20, 2015

Mr. David W. Martin, CPA
Auditor General
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

Pursuant to subsection 11.45(4) (d), Florida Statutes, attached are our responses to your report, Department of Management Services-**Statewide Law Enforcement Radio System and Prior Audit-Follow-Up**. Our responses correspond with the findings and recommendations related to the Department of Management Services contained in the draft report.

If further information is needed concerning our response, please contact Walter Sachs, Inspector General, at 488-5285.

Sincerely,

Chad Poppell
Secretary

Enclosure

cc: Darren Brooks, Deputy Secretary, Workforce Operations
Walter Sachs, Inspector General
Yolanda Lockett, Audit Director
Leigh Anne Payne, Interim Director, Division of Telecommunications
Thomas G. Berger, Director, Real Estate, Development, and Management
Kelly McMullen, Chief of the Bureau of Financial Management Services

**EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE**

| Preliminary and Tentative Finding Report Status | | | |
|--|--|--|-----------------------------|
| Status Date | Report No. | Report Title | |
| Audit Response | | 2014 AG DMS Operational Audit-Statewide Law Enforcement Radio System and Prior Audit-Follow-Up | |
| Contact Person | Program/Process | Phone No. | |
| Leigh Anne Payne | DIVTEL | 850-922-2963 | |
| Activity | Accountability | Schedule | |
| SLERS | Responsible Unit | Repeat Finding | Anticipated Completion Date |
| | DIVTEL | No | 1-Aug-15 |
| Finding | | | |
| No. | 1 | | |
| Date | 1/20/2015 | | |
| Finding | Contrary to Department rules, the Department did not always authorize, in writing, an applicant's use of SLERS. | | |
| Recommendation | We recommend that Department management ensure that reviews and authorization for each applicant's use of SLERS is documented in accordance with Department rules. | | |
| Response/Action Plan | The Department has begun drafting processes to document and track all requests by third party applicants wanting to use the Statewide Law Enforcement Radio System (SLERS) and ensure that the approval of each application is documented in accordance with Department rules. | | |
| Status Update-6mo | <input type="checkbox"/> Open <input type="checkbox"/> Management assumes risk <input type="checkbox"/> Partially Complete <input type="checkbox"/> Complete pending verification by OIG <input type="checkbox"/> Complete | | |
| Status Update-12mo | <input type="checkbox"/> Open <input type="checkbox"/> Management assumes risk <input type="checkbox"/> Partially Complete <input type="checkbox"/> Complete pending verification by OIG <input type="checkbox"/> Complete | | |
| Status Update-18mo | <input type="checkbox"/> Open <input type="checkbox"/> Management assumes risk <input type="checkbox"/> Partially Complete <input type="checkbox"/> Complete pending verification by OIG <input type="checkbox"/> Complete | | |

**EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE**

| Preliminary and Tentative Finding Report Status | | | |
|--|--|--|------------------------------------|
| Status Date | Report No. | Report Title | |
| Audit Response | | 2014 AG DMS Operational Audit-Statewide Law Enforcement Radio System and Prior Audit-Follow-Up | |
| Contact Person | Program/Process | Phone No. | |
| Leigh Anne Payne | | 850-922-2963 | |
| Activity | Accountability | Schedule | |
| SLERS | Responsible Unit | Repeat Finding | Anticipated Completion Date |
| | DIVTEL | No | 1-Feb-16 |
| Finding | | | |
| No. | 2 | | |
| Date | 1/20/2015 | | |
| Finding | The Department did not appropriately account for the State's proportionate share of revenues provided by the Department's contract with Harris. Additionally, the Department had not established policies and procedures to evaluate the accuracy and completeness of the reported revenue amounts from SLERS partners and third-party tenants. | | |
| Recommendation | To ensure that the State timely receives its proportionate share of revenues from SLERS partners and third-party tenants, we recommend that Department management establish policies and procedures designed to ensure that applicable credits are deducted from the quarterly contract payments. Additionally, to ensure that the State receives all the revenues to which it is entitled, we recommend that Department management establish policies and procedures to evaluate the accuracy and completeness of the reported revenue amounts due from SLERS partners and third-party tenants. | | |
| Response/Action Plan | The Department has already begun drafting procedures designed to ensure that all applicable credits are deducted from the quarterly contract payments. Policies will be soon forthcoming. Additionally, policies and procedures to evaluate the accuracy and completeness of the reported revenue amounts due from SLERS partners and third-party tenants will be developed and documented. | | |
| Status Update-6mo | <input type="checkbox"/> Open <input type="checkbox"/> Management assumes risk <input type="checkbox"/> Partially Complete <input type="checkbox"/> Complete pending <input type="checkbox"/> Complete | | |
| Status Update-12mo | <input type="checkbox"/> Open <input type="checkbox"/> Management assumes risk <input type="checkbox"/> Partially Complete <input type="checkbox"/> Complete pending <input type="checkbox"/> Complete | | |
| Status Update-18mo | <input type="checkbox"/> Open <input type="checkbox"/> Management assumes risk <input type="checkbox"/> Partially Complete <input type="checkbox"/> Complete pending <input type="checkbox"/> Complete | | |

**EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE**

| Preliminary and Tentative Finding Report Status | | | |
|--|--|--|------------------------------------|
| Status Date | Report No. | Report Title | |
| Audit Response | | 2014 AG DMS Operational Audit-Statewide Law Enforcement Radio System and Prior Audit-Follow-Up | |
| Contact Person | Program/Process | Phone No. | |
| Leigh Anne Payne | | 850-922-2963 | |
| Activity | Accountability | Schedule | |
| SLERS | Responsible Unit | Repeat Finding | Anticipated Completion Date |
| | DIVTEL | No | 1-Aug-15 |
| Finding | | | |
| No. | 3 | | |
| Date | 1/20/2015 | | |
| Finding | The Department had not sought an independent evaluation of, or requested and reviewed independent service auditor's reports related to, the controls designed and established by Harris Corporation (Harris) for the SLERS Communications System Director. | | |
| Recommendation | We recommend that Department management timely request, obtain, and document review of an independent service auditor's report on the effectiveness of controls established for the CSD | | |
| Response/Action Plan | The Department has taken steps to draft a timely request and upon receipt review an independent service auditor's report on the effectiveness of controls established for the Statewide Law Enforcement Radio System (SLERS) Communications System Director (CSD). Additionally, the Department will ensure that future contract language includes a provision allowing for an independent service auditor's report or an independent review of the system's data by Department staff. | | |
| Status Update-6mo | <input type="checkbox"/> Open <input type="checkbox"/> Management assumes risk <input type="checkbox"/> Partially Complete <input type="checkbox"/> Complete pending <input type="checkbox"/> Complete | | |
| Status Update-12mo | <input type="checkbox"/> Open <input type="checkbox"/> Management assumes risk <input type="checkbox"/> Partially Complete <input type="checkbox"/> Complete pending <input type="checkbox"/> Complete | | |
| Status Update-18mo | <input type="checkbox"/> Open <input type="checkbox"/> Management assumes risk <input type="checkbox"/> Partially Complete <input type="checkbox"/> Complete pending <input type="checkbox"/> Complete | | |

**EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE**

| Preliminary and Tentative Finding Report Status | | | |
|--|---|--|------------------------------------|
| Status Date | Report No. | Report Title | |
| Audit Response | | 2014 AG DMS Operational Audit-Statewide Law Enforcement Radio System and Prior Audit-Follow-Up | |
| Contact Person | Program/Process | Phone No. | |
| Leigh Anne Payne | DIVTEL | 850-922-2963 | |
| Activity | Accountability | Schedule | |
| SLERS | Responsible Unit | Repeat Finding | Anticipated Completion Date |
| | DIVTEL | No | 1-Aug-15 |
| Finding | | | |
| No. | 4 | | |
| Date | 1/20/2015 | | |
| Finding | Department documentation did not always clearly demonstrate that sufficient contract monitoring had been performed to verify that contractual requirements were met or, if not, that any contractor performance deficiencies were appropriately and timely remedied. | | |
| Recommendation | We recommend that Department management ensure that contract monitoring activities are appropriately documented to clearly demonstrate that contractual requirements were met and, if not, that any contractor performance deficiencies were timely and appropriately remedied. | | |
| Response/Action Plan | Contract management processes will continue to be followed, and the Department has already taken steps to draft improved documentation procedures to clearly demonstrate that contractual requirements were met and, if not, that any contractor performance deficiencies were timely and appropriately remedied. | | |
| Status Update-6mo | <input type="checkbox"/> Open <input type="checkbox"/> Management assumes risk <input type="checkbox"/> Partially Complete <input type="checkbox"/> Complete pending <input type="checkbox"/> Complete | | |
| Status Update-12mo | <input type="checkbox"/> Open <input type="checkbox"/> Management assumes risk <input type="checkbox"/> Partially Complete <input type="checkbox"/> Complete pending <input type="checkbox"/> Complete | | |
| Status Update-18mo | <input type="checkbox"/> Open <input type="checkbox"/> Management assumes risk <input type="checkbox"/> Partially Complete <input type="checkbox"/> Complete pending <input type="checkbox"/> Complete | | |

**EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE**

| Preliminary and Tentative Finding Report Status | | | |
|---|---|--|-----------------------------|
| Status Date | Report No. | Report Title | |
| Audit Response | | 2014 AG DMS Operational Audit-Statewide Law Enforcement Radio System and Prior Audit-Follow-Up | |
| Contact Person | Program/Process | Phone No. | |
| Tom Berger | Real Estate Development and Management (REDM) | 850-487-9921 | |
| Activity | Accountability | Schedule | |
| Florida Facilities Pool (FFP) | Responsible Unit | Repeat Finding | Anticipated Completion Date |
| | REDM | Yes | 7/1/2016 |
| Finding | | | |
| No. | 5 | | |
| Date | 1/20/2015 | | |
| Finding | Improvements are still needed to ensure that leases for all Florida Facilities Pool space are accounted for and that the rental rates for all FFP space are assessed in appropriate amounts. | | |
| Recommendation | We again recommend that Department management ensure that leases for all FFP space are accounted for and that the rental rates for all FFP space are assessed in appropriate amounts. | | |
| Response/Action Plan | Lease 9004108 is space for the Emergency Operations Center for use during emergency operations and for training. The agency has been notified that they must include the cost of rent in their next funding cycle. The Department has taken proactive steps to modify the full service lease rate effective July 1, 2016. The Department is working on converting leases 9112230 and 9452226 to a Memorandum of Understanding between DMS, the Florida House of Representatives and the Department of State. Lease 9717663 has been closed. The space has been modified into an existing lease with FDLE. Lease 9007664 has been designated as food service space. The current vendor contract expires in 2019. The lease will be addressed at that time. | | |
| Status Update-6mo | <input type="checkbox"/> Open <input type="checkbox"/> Management assumes risk <input type="checkbox"/> Partially Complete <input type="checkbox"/> Complete pending <input type="checkbox"/> Complete | | |
| Status Update-12mo | <input type="checkbox"/> Open <input type="checkbox"/> Management assumes risk <input type="checkbox"/> Partially Complete <input type="checkbox"/> Complete pending <input type="checkbox"/> Complete | | |
| Status Update-18mo | <input type="checkbox"/> Open <input type="checkbox"/> Management assumes risk <input type="checkbox"/> Partially Complete <input type="checkbox"/> Complete pending <input type="checkbox"/> Complete | | |

**EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE**

| Preliminary and Tentative Finding Report Status | | | |
|--|---|--|------------------------------------|
| Status Date | Report No. | Report Title | |
| Audit Response | | 2014 AG DMS Operational Audit-Statewide Law Enforcement Radio System and Prior Audit-Follow-Up | |
| Contact Person | Program/Process | Phone No. | |
| Kelly McMullen | Financial Management | 850-487-0950 | |
| Activity | Accountability | Schedule | |
| FLAIR | Responsible Unit | Repeat Finding | Anticipated Completion Date |
| | Financial Management | Yes | 1-Mar-15 |
| Finding | | | |
| No. | 6 | | |
| Date | 1/20/2015 | | |
| Finding | As similarly noted in our report No. 2013-090, incompatible Florida Accounting Information Resource Subsystem (FLAIR) access privileges were granted to a number of employees and the Department did not always timely cancel FLAIR access privileges upon an employee's separation from Department employment. | | |
| Recommendation | We recommend that Department management ensure that periodic reviews of FLAIR access privileges are appropriately conducted to identify and remove any excess or incompatible privileges granted to employees. We also recommend that Department management ensure that FLAIR access privileges are canceled immediately upon a user's separation from employment | | |
| Response/Action Plan | The Department is actively reviewing notifications of employee terminations upon receipt to determine whether the employee has FLAIR access. As a general practice, FLAIR access is deleted no later than one business day following the employee's termination. In addition, the Bureau of Financial Management Services is reviewing FLAIR access control quarterly to ensure all active user access is still appropriate. Regarding incompatible FLAIR roles, the Bureau of Financial Management has reviewed all FLAIR user access and has researched all instances of incompatible roles. In some cases, tasks have already been reassigned to ensure that proper segregation of duties exists and internal controls are in place. In the case of limited staff, such as in the Control Section, the Property Section and in the Division of State Group Insurance, a few staff will retain access which would normally be considered 'incompatible roles'. In these cases, compensating controls exist, such as supervisors reviewing work on a regular basis. In addition, other staff members within the department review property, disbursement and revenue transactions on a weekly or monthly basis, providing an additional level of checks and balance. | | |
| Status Update-6mo | | | |
| <input type="checkbox"/> Open <input type="checkbox"/> Management assumes risk <input type="checkbox"/> Partially Complete <input type="checkbox"/> Complete pending <input type="checkbox"/> Complete | | | |
| Status Update-12mo | | | |
| <input type="checkbox"/> Open <input type="checkbox"/> Management assumes risk <input type="checkbox"/> Partially Complete <input type="checkbox"/> Complete pending <input type="checkbox"/> Complete | | | |
| Status Update-18mo | | | |
| <input type="checkbox"/> Open <input type="checkbox"/> Management assumes risk <input type="checkbox"/> Partially Complete <input type="checkbox"/> Complete pending <input type="checkbox"/> Complete | | | |