

DEPARTMENT OF EDUCATION

Selected Administrative Activities
and Information Technology Controls



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Commissioner of the Department of Education

Pursuant to Article IX, Section 2 of the State Constitution and Section 20.15, Florida Statutes, the State Board of Education supervises the system of free public education and is the head of the Department of Education. The State Board of Education appoints the Commissioner of Education who serves as the Executive Director of the Department. Pam Stewart served as Commissioner of Education during the period of our audit.

The team leader was David Welling, CPA, and the audit was supervised by Samantha Perry, CPA.

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DEPARTMENT OF EDUCATION

Selected Administrative Activities and Information Technology Controls

SUMMARY

This operational audit of the Department of Education (Department) focused on selected administrative activities and included a follow-up on the findings noted in our report Nos. 2014-201 and 2016-050. Our audit disclosed the following:

Selected Administrative Activities

Finding 1: The Department did not always ensure that contractual services were procured in accordance with State law and related expenditures were reasonable and necessary in the circumstances. Additionally, the Department did not always ensure that only State employees performed certain functions and duties as required by State law.

Finding 2: Department controls need enhancement to better ensure that purchasing cards assigned to employees are necessary to perform their job duties and purchasing cards are timely canceled upon a cardholder's separation from Department employment.

Finding 3: Department controls for the administration of the requirements of the Florida Single Audit Act need improvement.

Information Technology Controls

Finding 4: As similarly noted in our report No. 2014-201, Department records did not always evidence that, prior to using Department information technology (IT) resources, workers acknowledged responsibility for complying with State and Federal security laws and rules and Department security policies and procedures. In addition, certain Department security controls related to the use of personally owned computers and data loss prevention need improvement to better protect the confidentiality, integrity, and availability of Department IT resources and data.

Finding 5: Department efforts to monitor the utilization of, and compliance with, Departmentwide IT policies and procedures and to review and approve Division-specific supplemental IT policies and procedures continue to need improvement.

Finding 6: As similarly noted in our report No. 2014-201, the Department did not always provide security awareness training to employees and contracted IT workers in accordance with Agency for State Technology rules.

Finding 7: As similarly noted in our report No. 2014-201, the Department did not always ensure that contracted IT workers received required background screenings and timely agreed, in writing, to immediately disclose any arrests for disqualifying offenses.

BACKGROUND

Pursuant to State law,¹ the Department of Education (Department) is to assist in providing professional leadership and guidance and in carrying out the policies, procedures, and duties authorized by State law or by the State Board of Education or found necessary by it to attain the purposes and objectives of the Florida K-20 Education Code.² Under the direction of the State Board of Education and executive oversight of the Commissioner of Education, the Department plans, administers, and delivers its programs and services through eight divisions and four offices, including the Division of Finance and Operations and the Division of Technology and Innovation (DTI). During the period of our audit, the Division of Finance and Operations was responsible for functions such as accounting and financial management, grants management, and contract monitoring, and the DTI was responsible for various information technology functions including technology planning and management, educational technology, and applications development and support.

The Department serves as the single repository of education data from school districts, State and community colleges, universities, and independent postsecondary institutions. According to Department records, as of January 2017, the Department served approximately 2.8 million students, 4,300 public schools, 28 colleges, 196,000 instructional staff, 45,000 college professors and administrators, and 325,000 full-time staff throughout the State.

FINDINGS AND RECOMMENDATIONS

SELECTED ADMINISTRATIVE ACTIVITIES

As part of our audit, we evaluated selected Department administrative activities and controls, including those related to contracts, purchasing cards, and the administration of the Florida Single Audit Act.

Finding 1: Contractual Services

State law³ establishes that fair and open competition is a basic tenet of public procurement and that such competition reduces the appearance and opportunity for favoritism and inspires public confidence that contracts are awarded equitably and economically. When procuring commodities or contractual services in excess of \$35,000, unless otherwise exempted, State agencies are to use the competitive solicitation processes authorized by State law.⁴ Additionally, as stewards of public funds, Department management is responsible for ensuring that expenditures are authorized by and in accordance with applicable law, reasonable in the circumstances, and necessary to accomplish authorized public purposes of the Department.

¹ Section 1001.20(2), Florida Statutes.

² Chapters 1000 through 1013, Florida Statutes.

³ Section 287.001, Florida Statutes.

⁴ Section 287.057, Florida Statutes.

State law⁵ specifies that only a public officer or a public employee may perform certain duties, including, for example, approving position descriptions and performance standards, and hiring, promoting, and dismissing a State employee. In addition, State law⁶ requires that, for each contractual services contract and certain grant agreements, a State agency employee function as the contract or grant manager responsible for enforcing performance of the contract or grant agreement terms and conditions and serving as a liaison with the contractor, recipient, or subrecipient.

As part of our audit, we examined Department records for selected grant agreements awarded during the period July 2015 through January 2017 to determine whether the Department, in executing the agreements, complied with applicable laws and rules. During the course of our audit procedures, we found that, in obtaining certain professional services, the Department's procurement practices did not always give due consideration to the Legislature's intent regarding fair and open competition. Specifically, we noted that, effective July 29, 2016, the Department's Assistant Deputy Commissioner for Finance and Operations (Assistant Deputy) retired from State employment. On July 22, 2016, the Department entered into a grant agreement, totaling \$146,842, with the University of South Florida (USF) to provide staff resources for the Assistant Deputy position for the period August 2016 through July 2017. To fulfill its obligation to the Department, on July 26, 2016, the USF entered into a professional services agreement, totaling \$134,865, with DES of Florida, LLC (DES) to obtain the staff services. On August 1, 2016, the retired Assistant Deputy became a salaried employee of DES and was assigned to staff the Department Assistant Deputy position.

Our examination of Department records disclosed that the grant agreement provided the USF \$8,277 to administer the agreement but the Department coordinated the specifics of the July 2016 professional services agreement between the USF and DES and provided the USF the agreement for its execution. The professional services agreement provided DES \$23,865, or 21.5 percent for its services. Notwithstanding the grant agreement with USF for staff resources for the Assistant Deputy position, in October 2016, the Department appointed a Department employee as the new Assistant Deputy Commissioner for Finance and Operations for an annual salary of \$95,000. The position description for this Assistant Deputy included the same duties and responsibilities as those of the contracted Assistant Deputy. On July 26, 2017, the Department entered into a new grant agreement, totaling \$148,460, with the USF to provide an Assistant Deputy position for the period August 2017 through July 2018. Given that a Department employee held a position with the same described duties and responsibilities as those of the contracted Assistant Deputy, the reasonableness and continued necessity for the grant agreement was not readily apparent.

In response to our audit inquiries regarding the public purpose served by utilizing grant agreements with the USF to indirectly procure the Assistant Deputy position services rather than directly procuring the services, Department management indicated that, while the contracted Assistant Deputy did not perform any duties for the benefit of the USF, the Department had previously worked with the USF to meet staff augmentation service needs and determined that continuing this precedent was the most expeditious method for providing the needed staff augmentation services. Department management also indicated

⁵ Section 287.074, Florida Statutes.

⁶ Sections 215.971(2) and 287.057(14), Florida Statutes.

that the cost of the initial professional services agreement between the USF and DES was considerably less than the cost estimated by the Department (\$150,960) for a State employee in the same position and that the arrangement was exempt from the competitive procurement requirements outlined in State law because the services were obtained and provided by a governmental entity.⁷ However, although State law exempts services provided by governmental entities from competitive solicitation, this exemption does not allow State agencies to utilize other governmental entities to acquire services on its behalf from private organizations and avoid the competitive procurement process, and the additional costs incurred by the Department in obtaining the professional services did not appear necessary or reasonable.

Our audit also found that the contracted Assistant Deputy performed certain administrative and contractual duties reserved to State employees. Specifically, our review of the initial grant agreement between the Department and the USF and the initial professional services agreement found that the duties and responsibilities of the position filled by the contracted Assistant Deputy included:

- Completing timely performance appraisals, developing timely and accurate work plans, and timely approving monthly attendance and leave for each direct position report.
- Ensuring the effective administration of contracts and all other Department procurement activities.
- Administering employee staff development programs.
- Making hiring and disciplinary recommendations.

In response to our audit inquiry, Department management indicated that the duties performed by the contracted Assistant Deputy were those identified in the agreements, excluding the personnel-related duties that were performed by other Department management and that immediate steps would be taken to clarify the functions and duties outlined in the agreements. Department management also indicated that the contracted Assistant Deputy served as the contract manager for four grant agreements and one contract, collectively totaling \$6,100,890, but those responsibilities had been transitioned to other Department management effective July 1, 2017. Further, Department management indicated that none of the contracted Assistant Deputy's actions with respect to the administration of contracts and procurement activities, administration of employee staff development programs, or making recommendations for hiring or disciplinary actions were inconsistent with State law, as the overall authority and decision resided with the Commissioner.

As stewards of public funds, Department management is responsible for ensuring that expenditures are authorized by and in accordance with applicable law, reasonable in the circumstances, and necessary to accomplish authorized purposes of the Department. As such, the use of the competitive solicitation processes authorized by State law to procure contractual services would better demonstrate that such services are awarded equitably and economically. Additionally, the assignment of administrative and contractual responsibilities to non-State employees is prohibited by State law and limits the Department's ability to ensure the actions are for the benefit of the State and the Department.

Recommendation: We recommend that Department management ensure that contractual services are procured in accordance with State law and related expenditures reasonable and necessary in the circumstances. We also recommend that Department management ensure that

⁷ Section 287.057(3)(e)12., Florida Statutes.

contracted employees are not assigned functions and duties strictly reserved to public officers or employees in accordance with State law.

Follow-Up to Management’s Response

Department management indicated in their written response that, although the cost data in the finding is correct, the Department did not agree with the conclusion that the reasonableness and continued necessity for the grant agreement was not readily apparent. Additionally, Department management responded that State law does not require competitive procurement when the service is being provided by a State governmental entity, such as the University of South Florida (USF). However, the point of our finding was that, although State law exempts services provided by governmental entities from competitive solicitation, this exemption does not allow State agencies to utilize other governmental entities, such as the USF, to acquire services on its behalf from private organizations and avoid the competitive procurement process. Additionally, as stated in the finding, another Department employee held a position with the same duties and responsibilities as the contracted Assistant Deputy Commissioner and the Department incurred additional costs in obtaining the professional services through the USF. Consequently, the finding and related recommendation stand as presented.

Finding 2: Purchasing Card Controls

As a participant in the State’s purchasing card program, the Department is responsible for the implementation of key controls, including procedures for approving the issuance of purchasing cards and timely canceling purchasing cards upon a cardholder’s separation from Department employment or when an employee no longer requires a purchasing card to perform their job duties. Department policies and procedures⁸ specified that, upon employment termination, a cardholder was to return their purchasing card to a Department Purchasing Card Administrator or the employee’s supervisor and the Purchasing Card Administrator was to immediately cancel the card. As of February 7, 2017, the Department had 678 active purchasing cards and purchasing card charges totaled approximately \$2,446,520 during the period July 2015 through January 2017.

As part of our audit, we reviewed Department policies and procedures and evaluated the adequacy of Department controls for purchasing card activity and cancellations. Our audit procedures disclosed that improvements in Department purchasing card controls were needed. Specifically, we noted that:

- Department policies and procedures did not provide for periodic reviews of purchasing card activity, including an evaluation of whether the assignment of a purchasing card to an employee was necessary to perform their job duties. Our examination of Department records found that, as of January 23, 2017, no charges had been made on 13 active purchasing cards for periods ranging from 1 to 13 years. Subsequently, Department management deactivated 9 of the 13 purchasing cards and indicated that the remaining purchasing cards were needed by the cardholders to perform their job responsibilities. Notwithstanding Department management’s response, the absence of purchasing card activity indicates that these cardholders may not require a purchasing card for the performance of their job duties.
- The Department did not always timely cancel purchasing cards upon a cardholder’s separation from Department employment. Our audit procedures included comparing Department employment separation dates recorded in People First, the State’s human resource information

⁸ Department *Purchasing Card Guidelines*.

system, to purchasing card cancellation dates recorded in Florida Accounting Information Resource Subsystem purchasing card records. We identified 116 cardholders who separated from Department employment during the period July 1, 2015, through February 7, 2017, and noted that 52 of the employees' purchasing cards had not been timely canceled. Specifically, we found that the employees' purchasing cards were canceled 2 to 58 business days (an average of 11 business days) after the employees' separation dates. In response to our audit inquiry, Department management indicated that the purchasing cards were not timely canceled due to workload issues and employee oversight.

Although our audit tests did not disclose any charges incurred subsequent to the 52 cardholders' separation from Department employment, timely cancellation of purchasing cards upon a cardholder's separation from Department employment and periodic monitoring of purchasing card activity and the necessity for purchasing card assignments reduces the risk that unauthorized purchases will be made.

Recommendation: We recommend that Department management enhance Department policies and procedures to provide for periodic monitoring of the necessity of purchasing card assignments and promptly cancel purchasing cards upon a cardholder's separation from Department employment.

Finding 3: Florida Single Audit Act

State Financial Assistance (SFA) is financial assistance provided from State resources to non-State entities to carry out a State project and is to be administered in accordance with the requirements of the Florida Single Audit Act (FSAA),⁹ Department of Financial Services (DFS) rules,¹⁰ and Rules of the Auditor General.¹¹ The purpose of the FSAA, among other things, is to establish uniform State audit requirements for non-State entities receiving SFA; promote sound management of SFA; and ensure State agency monitoring, use, and follow-up on audits of SFA. According to Department records, the Department provided to 193 non-State entities SFA in excess of \$570 million during the period July 2015 through January 2017.

The FSAA required¹² each non-State entity that expended \$500,000 or more of SFA in any fiscal year to obtain a State single audit or a project-specific audit conducted by an independent auditor. Upon completion of the audit, an SFA recipient is to provide the State awarding agency a copy of the entity's Financial Reporting Package (FRP).¹³ Among other things, the FRP is to address the recipient's compliance with State project requirements, any deficiencies in internal controls, and the amount of SFA expended by the recipient in conducting the State project. In addition, the FSAA specifies that State awarding agencies are to review each recipient's FRP to determine whether timely and appropriate corrective action had been taken with respect to any audit findings and recommendations.

⁹ Section 215.97, Florida Statutes.

¹⁰ DFS Rules, Chapter 69I-5, Florida Administrative Code.

¹¹ Chapters 10.550 and 10.650, Rules of the Auditor General.

¹² Effective July 1, 2016, the FSAA was revised to require non-State entities that expend \$750,000 or more in SFA in any fiscal year to obtain a State single audit or a project-specific audit conducted by an independent auditor.

¹³ An FRP includes the recipient's financial statements, Schedule of Expenditures of State Financial Assistance, auditor's report, management letter, auditee's written responses or corrective action plan, and correspondence on follow-up on prior corrective actions taken.

Our audit disclosed that the Department had not established policies and procedures for administering the requirements of the FSAA, including policies and procedures to identify non-State entities required to submit an FRP or to track the receipt and review of FRPs, including a determination of whether timely and appropriate corrective action had been taken for applicable audit findings and recommendations. Additionally, our analysis of Department financial records disclosed that the Department had not identified six non-State entities that had received SFA totaling \$11.4 million during the 2014-15 fiscal year and may have been required to submit an FRP during the 2015-16 fiscal year. In response to our audit inquiry, Department management indicated that, due to oversight, the required audits were not obtained or reviewed.

Established policies and procedures that promote compliance with the FSAA and provide for proper State project oversight help ensure that SFA will be properly administered in compliance with the FSAA and applicable rules. Further, without the timely receipt and appropriate review of the required FRPs, any recipient noncompliance or control deficiencies noted on audit may not be timely followed up on and resolved.

Recommendation: We recommend that Department management establish policies and procedures for administering the requirements of the FSAA, including policies and procedures for identifying non-State entities required to submit an FRP, tracking the receipt and review of FRPs, and determining whether timely and appropriate corrective action had been taken for applicable audit findings and recommendations.

INFORMATION TECHNOLOGY CONTROLS

State law¹⁴ requires State agencies to establish information security controls to ensure the security of agency data, information, and information technology (IT) resources. Additionally, Agency for State Technology (AST) rules¹⁵ establish minimum security standards for ensuring the confidentiality, integrity, and availability of State agency data, information, and IT resources.

Finding 4: Information Security Controls

AST rules¹⁶ require that State agencies manage and protect records and data to protect the confidentiality, integrity, and availability of information. To ensure that State agency workers¹⁷ are informed of their information security-related duties and responsibilities, AST rules¹⁸ require that, prior to access, workers verify in writing that they will comply with agency IT security policies and procedures. In accordance with AST rules, Department policies and procedures required that, prior to using Department

¹⁴ Section 282.318(4), Florida Statutes.

¹⁵ AST Rules, Chapter 74-2, Florida Administrative Code. Although AST Rules were not effective until March 2016, the AST's predecessor agency, the Agency for Enterprise Information Technology (AEIT), promulgated similar IT security requirements in AEIT Rules, Chapters 71A-1 and 71A-2, Florida Administrative Code.

¹⁶ AST Rule 74-2.003(4)(a), Florida Administrative Code. Although AST Rules were not effective until March 2016, AEIT Rules 71A-1.006, 71A-1.007, 71A-1.011, 71A-1.012, and 71A-1.016, Florida Administrative Code, specified similar requirements.

¹⁷ AST Rule 74.2001(3)(a)21., Florida Administrative Code, defines workers as members of the workforce who may or may not use IT resources. Workers include employees, contractors, volunteers, trainees, and other persons whose conduct, in the performance of work for the agency, is under the direct control of the agency, whether or not they are paid by the agency.

¹⁸ AST Rule 74-2.003(3)(f), Florida Administrative Code. Although AST rules were not effective until March 2016, AEIT Rule 71A-1.005(3), Florida Administrative Code, specified similar requirements.

IT resources, each member of the Department's workforce sign an *Acceptable Use Policy* form acknowledging responsibility for complying with State and Federal security laws and rules and Department security policies and procedures.

As part of our audit, we reviewed Department policies and procedures, examined Department records, and evaluated the adequacy of Department information security controls. Our audit procedures disclosed that improvements in Department information security controls were needed. Specifically:

- In our report No. 2014-201 (finding No. 5), we noted that the Department did not require each worker to agree, in writing, to comply with Department procedures for handling confidential and exempt information prior to accessing the information. As part of our audit, we examined Department records for 25 workers (16 Department employees and 9 contracted IT workers) to determine whether the workers signed an *Acceptable Use Policy* form prior to using Department IT resources. Our audit procedures disclosed that, for 7 workers (1 Department employee and 6 contracted IT workers), the Department was unable to provide signed *Acceptable Use Policy* forms. In response to our audit inquiry, Department management indicated that the forms had not been requested from the contracted IT workers and the Department employee was granted access prior to the implementation of the *Acceptable Use Policy* form in January 2014. However, Department management further indicated that, regardless of the date access was granted, all workers were required to complete an *Acceptable Use Policy* form.
- Certain security controls related to the use of personally owned computers and data loss prevention need improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising Department data and IT resources. However, we have notified appropriate Department management of the specific issues.

Comprehensive IT security controls, including documentation demonstrating that Department workers are informed of their information security-related duties and responsibilities and policies and procedures that promote the effective management of Department and personally owned computers, better protect the confidentiality, integrity, and availability of Department resources and data.

Recommendation: We recommend that Department management enhance IT security controls to ensure that Department records evidence the completion of an *Acceptable Use Policy* form by all workers prior to using Department IT resources.

Finding 5: IT Policies and Procedures

Effective IT controls include the establishment of IT policies and procedures that describe management's expectations for controlling an organization's IT operations. Documented policies and procedures help ensure that management directives are clearly communicated, understood, accepted, and followed by all staff.

In our report No. 2014-201 (finding No. 2), we noted that Departmentwide IT policies and procedures, and Department efforts to monitor the utilization of IT policies and procedures, needed improvement. As part of our audit follow-up procedures, we interviewed Division of Technology and Innovation (DTI) management to determine whether the DTI monitored each Division's utilization of, and compliance with, Departmentwide IT policies and procedures and reviewed and approved each Division's supplemental IT policies and procedures to ensure agreement with established Departmentwide IT policies and procedures. Our audit procedures disclosed that the DTI had not monitored the utilization of, or compliance with, Departmentwide IT policies and procedures, nor reviewed and approved

Division-specific supplemental IT policies and procedures. In response to our audit inquiry, DTI management indicated that limited staff resources prevented the DTI from implementing a monitoring and review process.

Monitoring staff compliance with Departmentwide IT policies and procedures and reviewing and approving Division-specific supplemental IT policies and procedures would help ensure that Department IT controls are properly followed and policies and procedures are consistent with Departmentwide IT policies and procedures and management's expectations.

Recommendation: We again recommend that DTI management implement processes to monitor the utilization of, and compliance with, Departmentwide IT policies and procedures and to review and approve Division-specific supplemental IT policies and procedures.

Finding 6: Security Awareness Training

Effective security awareness programs include initial training for new employees and periodic refresher training for all employees. AST rules¹⁹ require State agencies to provide workers initial security awareness training within 30 days of employment and that, at a minimum, workers receive annual security awareness training. Security awareness training is to include, among other things, instruction on acceptable use restrictions, procedures for handling confidential and exempt information, and computer security incident reporting procedures.

In our report No. 2014-201 (finding No. 5), we noted that the Department had not adopted a security awareness training policy and that the Department's security awareness training program needed enhancement. As part of our audit follow-up procedures, we performed inquiries of Department management and examined Department records to determine whether the Department had adopted a security awareness training policy and established and maintained a security awareness training program in accordance with such policy and applicable rules. Our audit procedures disclosed that the Department's security awareness training program continues to need enhancement. Specifically, our examination of Department records for 25 Department employees and 9 contracted IT workers who worked for the Department during the period July 2015 through January 2017 disclosed that none of the Department employees and only 5 of the contracted IT workers had received security awareness training. In response to our audit inquiry, Department management indicated that the Department's security awareness training policy was not approved and implemented until June 2017 and that, prior to implementation, security awareness training was not mandatory for Department workers.

The completion of initial and ongoing security awareness training provides management greater assurance that workers will adequately understand and be aware of Department information security requirements and serves to demonstrate compliance with AST security awareness training rules.

Recommendation: We again recommend that Department management ensure that Department workers are provided security awareness training in accordance with AST rules.

¹⁹ AST Rule 74-2.003(3)(b) and (c), Florida Administrative Code. Although AST Rules were not effective until March 2016, AEIT Rule 71A-1.008(2) and (3), Florida Administrative Code, specified similar requirements.

Finding 7: Contracted IT Workers

State law²⁰ requires that all persons and employees²¹ in positions of special trust, responsibility, or sensitive location undergo a level 2 background screening²² as a condition of employment and continued employment. State law²³ also requires that every employee agree to immediately inform their employer if they are arrested for any disqualifying offenses while employed. Additionally, AST rules²⁴ specify that State agencies are responsible for performing background screenings, including a Federal criminal history check, on all individuals hired as IT workers with access to information processing facilities, or who have system, database, developer, network, or other administrative capabilities for systems, applications, or servers with risk categorization of moderate-impact or higher. Department records indicated that, during the period July 2015 through January 2017, the Department employed 96 contracted IT workers.

In our report No. 2014-201 (finding No. 4), we noted that the Department did not always ensure that contracted IT workers received required background screenings and agreed, in writing, to immediately disclose any arrests for disqualifying offenses. Subsequent to our audit, the Department required contracted IT workers to sign, on or prior to their first day of employment, the Department's *Consent to Background Screening* form and *Affidavit of Good Moral Character* form, attesting that the worker would immediately notify the Department of any arrest for a disqualifying offense.

As part of our audit follow-up procedures, we examined Department records for 10 of the 96 contracted IT workers to determine whether the Department had obtained signed forms for the workers and the workers were subject to level 2 background screenings. Our examination disclosed that the Department did not ensure that 6 of the 10 contracted IT workers underwent the required level 2 background screening or signed, on or prior to the worker's first day of employment, an *Affidavit of Good Moral Character* form. In response to our audit inquiry, Department management indicated that the Department had not finalized the process for ensuring that contracted IT workers timely receive level 2 background screenings and sign *Affidavit of Good Moral Character* forms.

Requiring level 2 background screenings be performed on, and timely obtaining *Affidavit of Good Moral Character* forms from, all contracted IT workers, would provide management greater assurance that only individuals with appropriate backgrounds are granted access to Department data and IT resources.

Recommendation: We recommend that Department management ensure that all contracted IT workers, on or prior to the worker's first day of employment, are subject to a level 2 background screening and sign an *Affidavit of Good Moral Character* form. We also recommend that

²⁰ Section 110.1127(2)(a), Florida Statutes.

²¹ For the purposes of background screenings and other requirements of Chapter 435, Florida Statutes, Section 435.02(2), Florida Statutes, defines employees to include persons who are contractors, licensees, or volunteers.

²² Pursuant to Section 435.04, Florida Statutes, level 2 background screenings are to include, 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.

²³ Section 435.05(2), Florida Statutes.

²⁴ AST Rule 74-2.002(1)(f)9, Florida Administrative Code. Although AST rules were not effective until March 2016, AEIT Rule 71A-1.005(3), Florida Administrative Code, specified similar requirements.

Department management ensure that level 2 background screenings and *Affidavit of Good Moral Character* forms are obtained for all current contracted IT workers.

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the Department had taken corrective actions for the applicable findings included in our report Nos. 2014-201 and 2016-050.

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 February 2017 through August 2017 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 of the Department of Education (Department) focused on financial management controls and selected administrative activities. 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 other 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 applicable deficiencies noted in our report Nos. 2014-201 and 2016-050.

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, Department policies and procedures, and other guidelines, and interviewed Department personnel to obtain an understanding of financial management controls and other administrative activities.
- Performed inquiries of Department personnel and examined Department records to determine whether Department management had adequately designed and implemented controls, including policies and procedures, for financial management and other administrative activities.
- Reviewed Department procedures and checklists for the 2015-16 fiscal year-end closing and financial statements preparation process to evaluate whether the procedures and checklists were adequately designed to promote accurate, complete, and timely financial reporting and compliance with applicable State and Federal laws, rules, regulations, and Department of Financial Services (DFS) guidance.
- Analyzed Department financial records for the 2014-15 and 2015-16 fiscal years to identify significant fluctuations and examined related supporting records to determine whether year-end adjustments were appropriate, timely made, and not indicative of management override.
- Determined whether financial transactions for the period July 2015 through January 2017 were made timely and in accordance with applicable laws and regulations, adequately documented, and properly authorized by examining:
 - Department records for 40 selected expenditure transactions, totaling \$138,478, from a population of 809,884 expenditure transactions greater than or equal to \$100 and totaling \$39,836,314,146.
 - Department records for 35 selected travel expenditure transactions, totaling \$20,970, from a population of 42,518 travel expenditure transactions totaling \$4,475,320.
 - Department records for 25 selected contract payment transactions, totaling \$22,026,654, from a population of 9,368 contract payment transactions totaling \$667,141,783.
 - Department records for 20 selected interagency expenditure transfer transactions, totaling \$14,972,324, from a population of 2,609 interagency expenditure transfer transactions, totaling \$49,493,889, and 5 selected interagency revenue transactions, totaling

\$820,685,805, from a population of 341 interagency revenue transfer transactions, totaling \$3,471,395,462.

- Department records for 40 selected purchasing card expenditure transactions, totaling \$15,277, from a population of 1,164 purchasing card expenditure transactions totaling \$150,773.
- Examined Department records for two of the six quarterly interagency transfer reconciliations completed during the period July 2015 through December 2016 to determine whether the reconciliations were performed and documented in accordance with Department policies and procedures.
- Analyzed Department financial records for the 2014-15 and 2015-16 fiscal years to identify significant fluctuations in interagency transfer transactions and investigated and assessed the reasonableness of the reasons for such fluctuations, if any.
- Analyzed Department financial records for the 2013-14, 2014-15, and 2015-16 fiscal years to identify significant fluctuations in State trust fund balances and travel, lease, and wireless device expenditures and investigated and assessed the reasonableness for any such fluctuations.
- Analyzed Department property records as of January 2017 to determine whether Department property records included all the information required by DFS rules.
- Examined Department records to determine whether the Department performed a physical inventory of property during the 2015-16 fiscal year in accordance with applicable laws, DFS rules, and Department policies and procedures. In addition, for 25 selected property items with acquisition costs totaling \$1,066,665, examined Department records to determine whether the items had been timely physically inventoried by appropriate personnel and Department property records had been properly updated for the results of the inventory.
- Physically observed 12 of the approximately 3,158 Turlington Building property items recorded in Department property records as of January 2017 to verify the existence of the items and to determine whether the information recorded in Department property records accurately reflected the physical location, serial number, and description of the items. Selected an additional 16 property items during the physical observation and determined whether the physical location, serial number, and property description of the items agreed with the information recorded in Department property records.
- From the population of 604 transactions, totaling \$4,292,721, related to the acquisition of property during the period July 2015 through January 2017, examined Department purchasing records for 25 selected property items, with acquisition costs totaling \$788,191, to determine whether the items were timely and accurately added to Department property records.
- From a population of 2,296 property items, with acquisition costs totaling \$6,402,560, disposed of during the period July 2015 through January 2017, examined Department records for 25 selected items, with acquisition costs totaling \$374,113, to determine whether the property dispositions were properly documented and made in accordance with applicable laws, rules, and Department policies and procedures.
- Examined Department records for 25 selected contracts, totaling \$10,647,550, from a population of 942 contracts, totaling \$631,666,371, awarded during the period July 2015 through January 2017, to determine whether the Department complied with applicable laws, rules, regulations, and Department policies and procedures for contract awards.
- From the population of 1,338 contracts active during the period July 2015 through January 2017, examined Department records for 20 selected contracts to determine whether Department records evidenced that contract terms were monitored, monitoring tools were completed, monitoring reports were timely provided to the contractors and reflected issues identified, and the Department timely followed up on all issues identified in the monitoring reports.

- Analyzed Department financial records to assess whether the Department contracted with Department employees during the period July 2015 through January 2017.
- Examined Department records for the 116 purchasing cardholders who separated from Department employment during the period July 2015 through January 2017 to determine whether the Department timely canceled the employees' purchasing cards and that no charges were made to the cards subsequent to the employees' separation from Department employment.
- Evaluated the reasonableness of the assignment of 13 purchasing cards to Department employees where, as of January 23, 2017, no charges had been made on the purchasing cards within the past year. In addition, performed inquiries of Department management to determine whether the Department periodically reviewed purchasing card activity.
- From a population of 190 employees issued a purchasing card during the period July 2015 through January 2017, examined Department records for 25 selected employees to determine whether the Department issued the employees purchasing cards in accordance with Department policies and procedures.
- Analyzed Department financial records for the 2013-14, 2014-15, and 2015-16 fiscal years to identify significant fluctuations in the number of Department purchasing cards issued, purchasing card transactions, and purchasing card expenditures, and investigated and assessed the reasonableness of the reasons for any such fluctuations.
- Examined Department records for 20 of the 67 recipients of State Financial Assistance (SFA) that had a single audit reporting package due to the Department during the period July 2015 through June 2016 to determine whether the Department appropriately administered the requirements of the Florida Single Audit Act (FSAA).
- Analyzed Department SFA expenditure and other records for the 2014-15 fiscal year to determine whether the Department obtained all audit reporting packages required by the FSAA.
- Evaluated the completeness of Department lease records for leases active during the period July 2015 through January 2017 by comparing Department lease records to the Department of Management Services (DMS) Master Leasing Report and Five-Year Strategic Leasing Plan.
- From the population of 31 leases executed during the period July 2015 through January 2017, examined Department records for 10 selected leases to determine whether the leases were procured in accordance with DMS rules and Department policies and procedures.
- From the population of the 180 Department worker requests to access the Department's internal network using a personally owned computer that were granted during the period July 2015 through January 2017, examined Department records for 25 selected access requests to determine whether the Department authorized access in accordance with Department policies and procedures.
- Reviewed applicable laws, rules, and other State guidelines to obtain an understanding of the legal framework governing Department operations.
- Evaluated Department actions to correct the applicable findings noted in our report No. 2014-201. Specifically, we:
 - Examined Department records associated with system edit checks for the class size reduction program implemented during the period July 2015 through January 2017 to determine whether the edit checks were reasonable for verifying the accuracy and completeness of the class size data.
 - Examined Department records associated with the 2015-16 fiscal year survey of course enrollment data submitted in October 2015 for class size compliance evaluations to determine whether the Department reviewed and documented the reasonableness of the class size data.

- Examined Department records associated with the change made to the class size algorithm during the period July 2015 through January 2017 to determine whether, prior to implementation, the change was appropriately authorized, tested, and approved.
- From the population of 129 schools identified as noncompliant with class size requirements during the 2015-16 fiscal year, examined Department records for 13 selected schools to determine whether the Department obtained compliance plans from the schools and reviewed and approved the compliance plans.
- Interviewed Department personnel and examined Department records related to Department information technology (IT) policies and procedures developed during the period July 2015 through January 2017 to determine if management approval of the policies and procedures was documented.
- Interviewed Department personnel and examined Department records to determine whether the Division of Technology and Innovation established a process for monitoring the utilization of, and compliance with, Departmentwide IT policies and procedures.
- Interviewed Department personnel to obtain an understanding of Department processes for periodically reviewing Department disaster recovery and continuity of operations plans during the period of July 2015 through January 2017 and examined Department records to determine whether Department personnel considered significant and mission-essential systems for disaster recovery and continuity of operations plans.
- Examined Department onboarding documents to determine whether written agreement terms required contracted IT workers to comply with security standards and immediately disclose arrests and reviewed Department policies and procedures to determine whether the policies and procedures required level 2 background screenings be obtained from contracted IT workers.
- From the population of 96 contracted IT workers employed during the period July 2015 through January 2017, examined Department records for 10 selected contracted IT workers to determine whether the workers had undergone the required level 2 background screenings; the Department had appropriately addressed disqualifying offenses, if any; and the Department had obtained from the workers signed agreements to notify the Department of any arrest, in accordance with State law.
- From the population of 59 IT services contracts executed during the period July 2015 through January 2017, examined 6 selected contracts to determine whether the contracts included requirements for the contractors to comply with Department security policies and to immediately inform the Department if the contractors were arrested for any disqualifying offense.
- From the population of 2,813 Department employees and 96 contracted IT workers employed during the period July 2015 through January 2017, examined Department records for 25 selected employees and 9 selected contracted IT workers to determine whether employees and contracted IT workers participated in security awareness training and the Department obtained signed statements from contracted IT workers agreeing to comply with Department procedures for handling confidential and exempt information.
- Evaluated Department actions to correct the findings noted in our report No. 2016-050. Specifically, we:
 - Examined Department records for the four contracts procured through an invitation to negotiate (ITN) during the period January 2016 through January 2017 to determine whether the contracts were appropriately awarded in conformance with the terms of the ITNs.

- Interviewed Department management, examined Department forms, and evaluated Department compliance with applicable statutory requirements for collecting and utilizing individuals' social security numbers.
- Examined Department records for 25 selected employees, from a population of 2,706 Department personnel employed during the period July 2015 through January 2017, to determine whether the Department provided the employees written notification as to the purpose for collecting their social security number.
- Interviewed Department management and examined Department records to determine whether the Department had established mechanisms for reporting and analyzing detailed student and teacher information to effectively monitor individual school district and Statewide reasonableness of Virtual Instruction Program provider student-teacher ratios.
- 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. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

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.



Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



FLORIDA DEPARTMENT OF
EDUCATION
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State Board of Education

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Pam Stewart
Commissioner of Education

January 5, 2018

Sherrill F. Norman, CPA
Auditor General
Office of Auditor General
111 West Madison Street, Suite G74
Tallahassee, FL 32399-1450

Dear Ms. Norman:

The following responses are offered with respect to the operational audit of the Department of Education (department), Selected Administrative Activities and Information Technology Controls.

Contractual Services

Finding 1: The Department did not always ensure that contractual services were procured in accordance with State law and related expenditures were reasonable and necessary in the circumstances. Additionally, the Department did not always ensure that only State employees performed certain functions and duties as required by State law.

Recommendation: We recommend that Department management ensure that contractual services are procured in accordance with State law and related expenditures reasonable and necessary in the circumstances. We also recommend that Department management ensure that contracted employees are not assigned functions and duties strictly reserved to public officers or employees in accordance with State law.

Response: As stated to the auditors, the department believes that it is in compliance with the requirements of state law. The Assistant Deputy Commissioner referenced in this finding had, at the time of her retirement, over 35 years of experience in the department. In anticipation of her retirement over a two-year period, the department recruited from within the agency, as well as outside the agency, including nationally, to attempt to find a replacement who could take on these responsibilities which covered, Contracts, Grants, and Procurement; Personnel Management; and General Services, including Emergency Management. Ultimately, the department was unable to identify a qualified individual who was willing to move to Tallahassee and take on these responsibilities. After much research, including review of actions taken by other state agencies in similar circumstances, as well as previous actions by the department and in consultation with our General Counsel's Office, it was determined that entering into an agreement with the University of South Florida for the much needed staff augmentation services was the most efficient and cost-effective way to ensure the continuity and quality of the functions of the Assistant

Deputy Commissioner. Although the cost data provided by the auditors in their finding is correct, we do not agree with the conclusion that “the reasonableness and continued necessity for the grant agreement was not readily apparent.” The total cost for these services is less than the cost incurred by the department prior to the employee’s retirement. The administrative costs over and above the annual salary (which stayed the same), are similar to or less than those of similar agreements for staff augmentation services. The department contends that the total costs associated with securing the services of the only known person who could effectively carry out the duties of the position were entirely reasonable and necessary and indeed, were less than the cost of hiring a salaried employee in the position. Additionally, it must be reiterated that state law does not require competitive procurement when the service is being provided by a state governmental entity, in this case the University of South Florida.

The auditors observed that in October 2016, the department appointed another employee as the new Assistant Deputy Commissioner at a slightly lower salary than the previous incumbent in that position and, according to the auditors, whose position would carry out the same duties and responsibilities as the contracted employee. The department asserts that the employment of a new Assistant Deputy Commissioner did not, and does not, negate the need for the contracted employee. The new Assistant Deputy Commissioner has additional responsibilities over and above those assigned to the previous holder of that position, and, more importantly, is in training to fully assume the responsibilities of the previous holder of that position. That training and transition is occurring as quickly as possible but an extended period of time is necessary to ensure that the newly appointed staff member has all of the knowledge, skills, and experience needed to fully assume the duties and responsibilities. It is certainly common practice in state agencies to overlap current employees with new employees in key positions to ensure continuity and to provide training.

The department agrees that only a public officer or a public employee may perform certain duties related to personnel matters. The statute cited by the auditors references selecting state employees; approving position descriptions, performance standards, or salary adjustments; and hiring promoting, disciplining, demoting, and dismissing a state employee. The contracted employee never performed these functions. The department’s policy is that only the Commissioner or senior managers with specifically delegated responsibilities can take these actions. The auditors go on to reference functions such as completing timely performance appraisals, developing timely and accurate work plans, and timely approving monthly attendance and leave for each direct position report. Although the position description included in the contract inaccurately included some of these items, and was revised when the error was brought to our attention, the contracted employee did not carry out any of these functions. During the time period when the Assistant Deputy Commissioner position was vacant, these responsibilities were carried out by the immediate supervisor of the position, in this case, the Deputy Commissioner for Finance and Operations. The contract employee in question did not have access to People First to carry out any of the functions. When the new Assistant Deputy Commissioner was appointed, she carried out the specified functions. The statute cited in regard to the function of contract/grant management is silent on whether the role of contract management can be carried out by a contracted employee while the statute regarding personnel functions is explicit that those functions cannot be assigned to a contract employee. Although the department believes that the statute could include the assignment of certain contract management responsibilities to a contract employee; in an abundance of caution, those very limited assignments were transferred to other non-contract employees. Finally, the department is not aware of any state statute that precludes the use of contracted employees for administering employee staff development programs.

In summary, the department took very deliberate and careful steps to ensure that the procurement of services as well as the assignment of duties and responsibilities were consistent with requirements of state law and the costs were reasonable and necessary, and provided best value to the state.

Purchasing Card Controls

Finding 2: Department controls need enhancement to better ensure that purchasing cards assigned to employees are necessary to perform their job duties and purchasing cards are timely canceled upon a cardholder's separation from Department employment.

Recommendation: We recommend that Department management enhance Department policies and procedures to provide for periodic monitoring of the necessity of purchasing card assignments and promptly cancel purchasing cards upon a cardholder's separation from Department employment.

Response: The Department will incorporate an annual monitoring of purchasing card activity into its policies and procedures to ensure the proper assignment of purchasing cards. In regards to the prompt cancellation of purchasing cards upon a cardholders separation from employee, in February 2017 the Department added an additional employee to the Purchasing Card Administrative team to handle the increasing work load associated with this task. The Department will continue to monitor the employment separation dates of cardholders to ensure their cards are promptly deactivated.

Florida Single Audit Act

Finding 3: Department controls for the administration of the requirements of the Florida Single Audit Act need improvement.

Recommendation: We recommend that Department management establish policies and procedures for administering the requirements of the FSAA, including policies and procedures for identifying non-State entities required to submit an FRP, tracking the receipt and review of FRPs, and determining whether timely and appropriate corrective action had been taken for applicable audit findings and recommendations.

Response: The Department will develop written policies to formalize the procedures, which are currently utilized by department staff in the administration of the requirements of the Florida Single Audit Act.

Information Security Controls

Finding 4: As similarly noted in our report No. 2014-201, Department records did not always evidence that, prior to using Department information technology (IT) resources, workers acknowledged responsibility for complying with State and Federal security laws and rules and Department security policies and procedures. In addition, certain Department security controls related to the use of personally owned computers and data loss prevention need improvement to better protect the confidentiality, integrity, and availability of Department IT resources and data.

Recommendation: We recommend that Department management enhance IT security controls to ensure that Department records evidence the completion of an Acceptable Use Policy form by all workers prior to using Department IT resources.

Response: The Department will implement a new IT security control to ensure completion of the Acceptable Use Policy Form by all workers prior to using the department's IT resources.

IT Policies and Procedures

Finding 5: Department efforts to monitor the utilization of, and compliance with, Departmentwide IT policies and procedures and to review and approve Division-specific supplemental IT policies and procedures continue to need improvement.

Recommendation: We again recommend that DTI management implement processes to monitor the utilization of, and compliance with, Departmentwide IT policies and procedures and to review and approve Division-specific supplemental IT policies and procedures.

Response: The Department has created a policy review and compliance team within DTI to develop and monitor the utilization of, and compliance with, agency-wide IT policies and procedures.

Security Awareness Training

Finding 6: As similarly noted in our report No. 2014-201, the Department did not always provide security awareness training to employees and contracted IT workers in accordance with Agency for State Technology rules.

Recommendation: We again recommend that Department management ensure that Department workers are provided security awareness training in accordance with AST rules.

Response: The Department will implement a new process for ensuring all workers are provided information security awareness training annually.

Contracted IT Workers

Finding 7: As similarly noted in our report No. 2014-201, the Department did not always ensure that contracted IT workers received required background screenings and timely agreed, in writing, to immediately disclose any arrests for disqualifying offenses.

Recommendation: We recommend that Department management ensure that all contracted IT workers, on or prior to the worker's first day of employment, are subject to a level 2 background screening and sign an Affidavit of Good Moral Character form. We also recommend that Department management ensure that level 2 background screenings and Affidavit of Good Moral Character forms are obtained for all current contracted IT workers.

Response: The Department will implement a new process for ensuring all IT contract workers have their level 2 background screening and their Affidavit of Good Moral form completed on or prior to their first day of employment.

Ms. Sherrill Norman, CPA
January 5, 2018
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If you need additional information, please feel free to contact Martha K. Asbury, Assistant Deputy Commissioner, Finance and Operations, at (850) 245-0420 or via email at Martha.Asbury@fldoe.org.

Sincerely,



Pam Stewart
Commissioner

PS/tln

cc: Mike Blackburn, Inspector General
Linda Champion, Deputy Commissioner, Finance and Operations
Martha Asbury, Assistant Deputy Commissioner, Finance and Operations
Andre Smith, Deputy Commissioner, Division of Technology and Innovation
Matt Kirkland, Comptroller