

**DEPARTMENT OF
MANAGEMENT SERVICES**

Statewide Law Enforcement Radio System
Prior Audit Follow-Up
and Selected Administrative Activities



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Auditor General

Secretary of the Department of Management Services

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Erin Rock From March 31, 2017
Chad Poppell Through March 31, 2017

The audit was supervised by Joshua Barrett, CPA.

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DEPARTMENT OF MANAGEMENT SERVICES

Statewide Law Enforcement Radio System Prior Audit Follow-Up and Selected Administrative Activities

SUMMARY

This operational audit of the Department of Management Services (Department) focused on selected administrative activities and included a follow-up on the findings noted in our report No. 2015-104 related to the Statewide Law Enforcement Radio System (SLERS) and other matters. Our audit disclosed the following:

Statewide Law Enforcement Radio System

Finding 1: Department policies and procedures for evaluating the accuracy and completeness of the State's proportionate share of revenue amounts due from SLERS partners and third-party tenants need enhancement. A similar finding was noted in our report No. 2015-104.

Finding 2: As similarly noted in our report No. 2015-104, Department records did not always demonstrate that sufficient contract monitoring was performed to verify that contract requirements were met.

Selected Administrative Activities

Finding 3: Department controls need enhancement to ensure that contract managers document that they are independent of, and have no conflicts of interest related to, the contracts they are responsible for managing.

Finding 4: The Department did not comply with the requirements of State law regarding public deposits.

Finding 5: The Department did not always obtain all required authorizations prior to disposing of property items.

Finding 6: Security controls over mobile device utilization need improvement to ensure the confidentiality, integrity, and availability of Department data and information technology resources.

BACKGROUND

The Department of Management Services (Department) serves as the business arm of State Government and, as such, is responsible for managing various workforce- and business-related functions including real estate, procurement, human resources, State group insurance, retirement, telecommunications, private prisons, and fleet management. For the 2017-18 fiscal year, the Legislature appropriated approximately \$680 million to the Department and authorized 1,309 positions.

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, as of October 2018, SLERS served over 20,500 radios in patrol cars, boats, motorcycles, and aircraft throughout the State.

State law¹ specifies that the Department is responsible for ensuring the proper operation and maintenance of all common SLERS equipment. The Department contracted with Harris Corporation (Harris) to operate and maintain SLERS. Harris receives, 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 surcharge on initial and renewal registrations of motor vehicles and vessels and a \$3 surcharge on criminal traffic and noncriminal moving traffic violations imposed by State law.² Department records as of March 31, 2018, indicated that, since the inception of the contract in September 2000, Harris had received quarterly contract payments totaling approximately \$338 million. As further described in Finding 1, the contract also affords Harris the opportunity to leverage public and private use of the radio portion of SLERS and to rent tower space for additional revenue, which is to be shared with the State.

Finding 1: SLERS Partner and Third-Party Tenant Revenue

State law³ permits 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)⁴ and tower space to third-party tenants.⁵

Pursuant to the Department's contract with Harris, revenue from SLERS partners was to be collected by Harris in amounts determined by the rates set forth in agreements executed between Harris and the SLERS partners. Additionally, Harris was to collect revenue from third-party tenants leasing tower space under a tower site agreement. The Department's contract with Harris specified that the State was to receive 5 percent of the gross revenues generated by Harris from SLERS partners and 15 percent of the

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

² Sections 320.0802, 328.72(9), and 318.18(17), Florida Statutes.

³ Section 282.709(1)(c), Florida Statutes.

⁴ SLERS partners are public safety entities eligible to use spectrum (frequency) allocated for public safety use, to which Harris provides communication services.

⁵ Third-party tenants (e.g., private communications companies) are entities to which Harris leases space on towers conveyed to Harris by the State.

net revenues⁶ generated by Harris from third-party tenants. Pursuant to State law,⁷ 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, Harris was required to pay or provide credit in goods and services to the State for the State's proportionate share of SLERS partner and third-party tenant revenues. As support for the calculation of the State's proportionate share, and to meet contractual reporting requirements, Harris provided the Department quarterly revenue reports that included, among other things, the names of each SLERS partner and third-party tenant, the revenue amounts received during the quarter, and the portion of the quarterly revenue paid to the State.

In our report No. 2015-104 (finding No. 2), we noted that the Department had not established policies and procedures for evaluating the accuracy and completeness of the revenue amounts from SLERS partners and third-party tenants reported by Harris. As part of our audit follow-up procedures, we evaluated the policies and procedures established by the Department for validating the accuracy and completeness of the revenues amounts reported by Harris and analyzed Department records for the revenue amounts reported by Harris for the period July 2016 through December 2017. We noted that:

- Department policies and procedures required staff to validate the accuracy and completeness of the revenue amounts reported by Harris for SLERS partners by comparing revenue amounts from one quarter to the next for reasonableness and by analyzing tower usage weekly to ensure that no individual tower exceeded the usage authorized by the Department. However, the Department did not obtain and review source documentation, such as the agreements between Harris and the SLERS partners, to validate that the revenue rates and number of active radios used by Harris to calculate the State's proportionate share of revenue was accurate and complete. Similarly, for third-party tenants, while the Department recalculated the revenue amounts due based on initial payment information and escalation rates provided by Harris, the Department did not obtain and review source records, such as tower site agreements, to ensure that the payment information and escalation rates were accurate and complete.
- Of the 106 SLERS partners and 37 third-party tenants listed on the quarterly revenue sharing reports provided by Harris to the Department for the period July 2016 through December 2017, Harris reported that no revenue was collected from 16 SLERS partners and 15 third-party tenants. In response to our audit inquiry, Department management indicated that the absence of reported revenue could be attributed to SLERS partners and third-party tenants not submitting payments to Harris, terminating an agreement with Harris, or being inconsistently billed by Harris. However, as previously discussed, the Department did not obtain source documents from Harris to validate the accuracy and completeness of the State's proportionate share of revenue, including instances when revenue amounts were not reported by Harris.

Absent adequate policies and procedures for verifying the accuracy and completeness of the State's proportionate share of the revenue due from SLERS partners and third-party tenants, Department management has limited assurance that the State is receiving all the revenue to which it is entitled.

Recommendation: We recommend that Department management enhance policies and procedures for evaluating the accuracy and completeness of the reported revenue amounts due

⁶ The contract defined "net revenues" as all revenues received less ground rent.

⁷ Section 282.709(1)(c)4., Florida Statutes.

from SLERS partners and third-party tenants, including establishing procedures to obtain and review source documents from Harris to validate the amounts due.

Finding 2: SLERS Monitoring

The Department's contract with Harris required Harris to ensure 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, critical alarm, force majeure⁸), as well as other pertinent information associated with an event (e.g., description of the problem, response time, 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 a required 2-hour on-site response time and was to restore the system within 12 hours. The contract defined a critical system failure as a significant reduction in the ability to communicate and listed examples such as "site off air," "dispatch console failure," and "site link failure."

Department policies and procedures specified that Department staff were to review AMMS work orders weekly to determine whether critical system failures had occurred that affected SLERS users and, if so, whether Harris met contractually required response times. To document monitoring efforts, Department staff were to create monthly validation spreadsheets that indicated, for all work orders, information such as whether a problem resolution event was considered a critical or non-critical system failure; whether system queuing occurred that affected SLERS users; the number of hours for Harris staff to arrive on-site and to restore outages; and whether contractual noncompliance occurred.

As part of our audit, we analyzed Department records for the 3,693 nonforce majeure work orders listed on the Department's monthly validation spreadsheets for the period July 2, 2016, through February 24, 2018. As similarly noted in our report No. 2015-104 (finding No. 4), our audit procedures disclosed that the Department could not always demonstrate that sufficient monitoring had been conducted to determine whether system failures were critical, users were affected, or contractual noncompliance occurred. Specifically, we noted that:

- For 2,060 of the 3,693 work orders, the Department's monthly validation spreadsheets did not include information indicating whether the system failures were critical and whether system queuing and contractual noncompliance had occurred. Additionally, our analysis of the 2,060 work orders further disclosed that the spreadsheets:
 - Did not indicate for 44 work orders when Harris staff arrived on-site to begin correcting the system failure.
 - Did not indicate for 82 work orders when Harris staff restored the outage.
 - Did not indicate for 2 work orders that Harris was in noncompliance with contract requirements when staff did not arrive on-site within 2 hours of the system failure.

⁸ Force majeure was defined by the Department's contract with Harris as an event caused by an industry-wide strike, an industry-wide shortage of materials or component equipment, a natural disaster, an act of God or military or governmental authority, or war or civil disorder.

- Did not include for 14 work orders accurate arrival or completion times, including 10 work orders that indicated Harris staff arrived on-site prior to the time of the system failure and 4 work orders that indicated the system failures were corrected approximately 18 hours to 1 year prior to the system failure occurring.

In response to our audit inquiry, Department management indicated that, when staff concluded that service to the user was not affected, staff did not complete all applicable monthly validation spreadsheet fields and, instead, included a notation in the comment field to document staff conclusions. Notwithstanding Department management's response, Department policies and procedures did not address notations in the comment field in lieu of completing applicable monthly validation spreadsheet fields and, for 2,058 of the 2,060 incomplete work orders, staff had not included a notation in the comment field to indicate that service to the user was not affected.

Effective monitoring of Harris' compliance with contract requirements includes evaluating whether critical system failures occurred that affected SLERS users and identifying whether performance problems were timely corrected. Absent sufficient documentation of monitoring activities, Department management cannot adequately demonstrate that services were provided in accordance with contract terms and conditions.

Recommendation: We recommend that Department management ensure staff adhere to established policies and procedures for documenting Department monitoring of Harris' compliance with contract requirements.

SELECTED ADMINISTRATIVE ACTIVITIES

As part of our audit, we evaluated selected Department administrative activities and controls, including those related to contracts, public deposits, property, and the administration of wireless devices.

Finding 3: Conflict of Interest Statements

The Legislature has declared that it is essential to the proper conduct and operation of government that public officials be independent and impartial and that no officer or employee of a State agency have any interest, financial or otherwise, direct or indirect; engage in any business transaction or professional activity; or incur any obligation of any nature which is in substantial conflict with the proper discharge of their duties in the public interest.⁹ State law¹⁰ further specifies that no public officer or employee is to have or hold any employment or contractual relationship with any business entity or any agency which is subject to the regulation of, or is doing business with, the agency of which he or she is an officer or employee.

To determine whether Department records evidenced that contract managers were independent of, and had no conflict of interest related to, the contracts they were responsible for managing, we reviewed Department policies and procedures and examined Department records for 15 contracts, totaling \$92.7 million, executed during the period July 1, 2016, through February 1, 2018, including 7 contracts (4 professional services contracts totaling \$1.6 million and 3 construction services contracts totaling

⁹ Section 112.311, Florida Statutes.

¹⁰ Section 112.313(7)(a), Florida Statutes.

\$1.5 million) managed by the Division of Real Estate Development and Management. Our audit procedures disclosed that, while Department policies and procedures¹¹ required managers of contracts for commodities and contractual and professional services procured pursuant to Chapter 287, Florida Statutes, to complete conflict of interest statements for each contract managed, the Department did not require managers of construction service contracts procured pursuant to Chapter 255, Florida Statutes, to complete conflict of interest statements. Consequently, such statements were not completed by the contract managers for the three construction services contracts. Additionally, we noted that conflict of interest statements were not completed for the four professional services contracts procured pursuant to Section 287.055, Florida Statutes, and subject to Department requirements.

In response to our audit inquiry, Department management indicated that the construction and professional services contracts were procured pursuant to Chapter 255 and Section 287.055, Florida Statutes, respectively, neither of which contain specific language requiring contract managers to document that they are independent of, and have no conflict of interest related to, the contracts they are responsible for managing. Notwithstanding Department management's response, Department policies and procedures required managers of all contracts procured pursuant to Chapter 287, Florida Statutes, including professional services contracts, to complete conflict of interest statements for the contracts they were responsible for managing. In addition, subjecting all employees responsible for managing contracts to Department conflict of interest policies and procedures would provide greater assurance that contract management activities are conducted in an independent and impartial manner.

Recommendation: We recommend that Department management ensure that all personnel responsible for managing contracts are subject to Department conflict of interest policies and procedures and that all contract managers complete conflict of interest statements evidencing that they are independent of, and have no conflicts of interest related to, the contracts they are responsible for managing.

Finding 4: Public Deposits

State law¹² requires all public deposits to be made in a qualified public depository (QPD)¹³ unless exempted by law. State law¹⁴ specifies that all public deposits are considered secured and protected from loss when public depositors (e.g., the Department) comply with the requirements of Chapter 280, Florida Statutes.

Pursuant to State law,¹⁵ public depositors are to identify each public deposit account at the time an account is opened by completing a *Public Deposit Identification and Acknowledgement Form* (Form) prescribed by the State's Chief Financial Officer (CFO). A properly executed Form identifies each public deposit account and documents the QPD's acknowledgment that the account is a public deposit and that collateralization of the account must be provided. State law¹⁶ also requires that all public depositors

¹¹ Department Administrative Policy No. 101, *Purchasing Policies and Procedures*.

¹² Section 280.03(1)(b), Florida Statutes.

¹³ A QPD means any bank, savings bank, or savings association that meets the requirements of Chapter 280, Florida Statutes, and has been designated by the State's Chief Financial Officer as a QPD.

¹⁴ Sections 280.03(1)(a) and 280.18(1), Florida Statutes.

¹⁵ Section 280.17(2), Florida Statutes.

¹⁶ Section 280.17(6), Florida Statutes.

submit an annual report to the CFO by November 30th. The annual report is to include, among other things, public deposit information and confirmation that Forms were completed for each public deposit account.

As part of our audit, we requested from the Department the Forms related to all public deposit accounts established outside the Department of Financial Services (DFS), Division of Treasury, that were active during the period July 2016 through February 2018, and examined the Department's 2017 annual report submitted to the CFO. We noted that:

- The Department was unable to provide Forms for the three public deposit accounts held by the Department outside of the Division of Treasury during the period July 2016 through February 2018. Two of the three accounts had significant deposit balances, with one account balance exceeding \$250,000¹⁷ for 163 days, including a December 1, 2017, balance of \$75.7 million, and the other account balance exceeded \$250,000 for 197 days, including a September 5, 2017, balance of \$756,785. In response to our audit inquiry, Department management indicated that the Forms had not been completed due to a misunderstanding of the requirements applicable to accounts outside of the State Treasury.
- Contrary to State law, the Department's 2017 annual report was submitted to the CFO on January 22, 2018, or 35 days after the November 30, 2017, due date. In response to our audit inquiry, Department management indicated that the report was not timely submitted due to an oversight.

Absent compliance with the requirements of State law regarding each public deposit account, the protection from loss provided in State law to the Department may not be as effective as to that public deposit account.

Recommendation: We recommend that Department management take steps to ensure compliance with the public deposits requirements established in State law.

Finding 5: Property Disposal

Effective controls for the management of tangible personal property¹⁸ require that property items be adequately controlled, safeguarded, and accounted for by Department management. DFS rules¹⁹ require State agencies to record all tangible personal property with a value or cost of \$1,000 or more and a projected useful life of 1 year or more in the Florida Accounting Information Resource Subsystem (FLAIR) Property Subsystem. According to Department records, as of February 28, 2018, the Department was responsible for 3,369 tangible personal property items with acquisition costs totaling approximately \$25 million.

DFS rules²⁰ require the property records for each item lawfully disposed of to identify information such as the date of disposition, authority of disposition, manner of disposition, and the employees witnessing

¹⁷ The Federal Deposit Insurance Corporation (FDIC) covers the depositors of a failed FDIC-insured depository institution dollar-for-dollar, principal plus interest accrued, through the date of default, up to \$250,000.

¹⁸ Property is defined in applicable laws and rules as State-owned equipment, fixtures, and other tangible personal property of a nonconsumable or nonexpendable nature, the value or cost of which is \$1,000 or more and the projected useful life of which is 1 year or more.

¹⁹ DFS Rule 69I-72.002, Florida Administrative Code.

²⁰ DFS Rule 69I-72.005(5), Florida Administrative Code.

the disposition. To authorize the disposal of property, Department policies and procedures²¹ required Custodian Delegates to determine whether a property item was to be disposed of and submit a disposal request form to the Property Administrator for review. The Property Administrator was then to route the disposal request form to the Surplus Property Committee (Committee) for approval, prior to disposing of the property. According to Department records, the Department disposed of 530 property items, with acquisition costs totaling approximately \$1.3 million, during the period July 2016 through February 2018, including 25 motor vehicles with acquisition costs totaling \$170,799.

As part of our audit, we examined Department records for 16 of the property items disposed of, with recorded acquisition costs totaling \$146,819, including 12 motor vehicles with recorded acquisition costs totaling \$132,126. Our examination disclosed that the Department disposed of 7 of the property items, including 6 motor vehicles, 20 to 299 days (an average of 159 days) prior to the dates that approval was obtained from the Committee. Additionally, we noted that the Department did not obtain Committee approval to dispose of 2 other motor vehicles with acquisition costs totaling \$43,643. In response to our audit inquiry, Department management indicated that Custodian Delegates did not always inform the Property Administrator prior to disposing of property.

Obtaining Committee authorization prior to disposing of property promotes accountability over the disposition of Department property and demonstrates compliance with DFS rules and Department policies and procedures.

Recommendation: We recommend that Department management enhance property controls to ensure, and Department records evidence, that property is only disposed of after Committee authorization.

Finding 6: Mobile Device Security Controls

Security controls are intended to protect the confidentiality, integrity, and availability of data and information technology (IT) resources. Our audit procedures disclosed that certain security controls related to mobile device²² utilization 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.

Without appropriate security controls related to the use of mobile devices by Department employees, the risk is increased that the confidentiality, integrity, and availability of Department data and IT resources may be compromised.

Recommendation: We recommend that Department management enhance certain security controls related to employee use of mobile devices to ensure the confidentiality, integrity, and availability of Department data and IT resources.

²¹ Department *Property Asset Management Procedures*.

²² Mobile devices are portable devices, such as laptop computers, smartphones, and tablets, that allow storage and transmittal of entity data.

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. 2015-104.

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 December 2017 through July 2018 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 Management Services (Department) focused on 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 deficiencies noted in our report No. 2015-104.

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 Department financial management and other administrative activity controls.
- Evaluated Department actions to correct the findings noted in our report No. 2015-104. Specifically, we:
 - Reviewed Statewide Law Enforcement Radio System (SLERS) policies and procedures and interviewed Department management to obtain an understanding of Department practices for administering SLERS.
 - Examined Department records for the five new SLERS partner agreements executed during the period July 2016 through February 2018 to determine whether the Department authorized, in writing, the applicant's use of SLERS.
 - Analyzed Department and Harris Corporation (Harris) records for the revenues reported by Harris and due to the Department during the period July 2016 through December 2017 to determine whether the Department had established processes to ensure that the revenues reported by Harris were accurate and complete and revenues due to the Department were timely collected.
 - Interviewed Department management, examined Department records, and evaluated Department processes to determine whether the Department obtained reasonable assurance that Harris Communication System Director controls relied upon by the Department were in place and operating effectively.
 - Analyzed Department records for the 3,693 nonforce majeure work orders listed on the Department's monthly validation spreadsheets for the period July 2, 2016, through February 24, 2018, to determine whether Department records evidenced adequate monitoring of Harris' compliance with contractually required response times to system failures and whether the Department took appropriate corrective actions when response times were not met.
 - Interviewed Department management and examined Department lease records for the 38 nominal leases managed by the Department during the period July 1, 2016, through February 22, 2018, to determine whether the Department complied with Florida Facilities Pool bond covenant terms related to the charging of lease fees.

- Examined Florida Accounting Information Resource Subsystem (FLAIR) access control records as of January 31, 2018, to identify Department employees with access to incompatible functions in FLAIR and assessed the appropriateness of such access privileges, including whether the Department had established sufficient compensating controls.
- Examined Department records for the 13 employees with FLAIR access privileges who separated from Department employment during the period July 2016 through January 2018 to determine whether the Department timely deactivated access privileges upon an employee's separation from Department employment.
- Reviewed applicable laws, rules, and other State guidelines to obtain an understanding of the legal framework governing Department operations.
- Examined Department financial records for the 2015-16 and 2016-17 fiscal years to determine whether ending fund balances materially agreed with estimated annual revenues and actual expenditures.
- Observed, documented, and evaluated the effectiveness of selected Department processes and procedures for budgetary, cash management, and revenue and cash receipt activities.
- Examined Department records to determine whether, for the period ended September 30, 2017, the Department disclosed qualified public depository information to the Department of Financial Services (DFS), Division of Treasury, in accordance with Section 280.17, Florida Statutes.
- From the population of 11,116 direct deposit transactions, totaling \$5,060,105,046, made with the DFS, Division of Treasury, during the 2016-17 fiscal year, examined Department records for 24 selected direct deposit transactions, totaling \$157,060,544, to determine whether the Department verified that direct deposits received by the Division of Treasury were accurately accounted for and timely deposited.
- From the population of 144 contracts, totaling \$594,960,051, executed during the period July 1, 2016, through February 1, 2018, examined Department records for 15 selected contracts, totaling \$92,679,879, to determine whether the Department procured and administered the contracts in accordance with State law and Department policies and procedures.
- Examined Department financial records to determine whether the Department contracted with Department employees during the period July 2016 through January 2018 and, if so, assessed the appropriateness of any related payments.
- From the population of 32 subrecipients that received State Financial Assistance (SFA) totaling \$3,167,886 from the Department during the 2015-16 fiscal year, examined Department records for 7 selected subrecipients that received SFA totaling \$553,168 to determine whether Department administered the SFA in accordance with the requirements of the Florida Single Audit Act.
- Observed, documented, and evaluated the effectiveness of selected Department processes and procedures for the assignment and use of motor vehicles. As of January 31, 2018, the Department was responsible for 55 motor vehicles with related acquisition costs totaling \$526,177.
- Compared Department motor vehicle information recorded in the Florida Equipment Electronic Tracking (FLEET) system as of January 2018 to the motor vehicle information recorded in Department property records as of January 2018 to determine whether all Department motor vehicle acquisitions and disposals were timely recorded in the FLEET system.
- Analyzed Department property records as of October 31, 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 2016-17 fiscal year in accordance with applicable laws, DFS rules,

and Department policies and procedures. In addition, from the population of 76 property items included on the Division of Telecommunications 2016-17 fiscal year physical inventory listing, we examined Department records for 10 selected property items with acquisition costs totaling \$14,491, 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.

- From the population of 1,445 expenditures, totaling \$7,272,447, related to the acquisition of tangible personal property during the period July 2016 through January 2018, selected and examined Department records for 26 expenditures related to 163 property items, with acquisition costs totaling \$329,454, to determine whether the items were timely and accurately added to Department property records.
- From the population of 530 tangible personal property items, with acquisition costs totaling \$1,254,855, disposed of during the period July 2016 through February 2018, examined Department records for 16 selected property items, with acquisition costs totaling \$146,819, to determine whether the property dispositions were properly documented and made in accordance with applicable laws, rules, and Department policies and procedures.
- Analyzed Department lease expenditure data for the 2014-15, 2015-16, and 2016-17 fiscal years to identify significant fluctuations and investigated and assessed the reasonableness of any such fluctuations.
- Observed, documented, and evaluated the effectiveness of Department processes and procedures for acquiring and managing real property leases in accordance with State law, Department rules, and other applicable guidelines. As of June 30, 2017, the Department was responsible for 81 real property leases.
- Analyzed Department financial records for the 2015-16 and 2016-17 fiscal years to identify significant fluctuations in wireless device expenditures and investigated and assessed the reasonableness of any such fluctuations.
- Observed, documented, and evaluated the effectiveness of selected Department processes and procedures for the assignment and use of wireless devices. Specifically:
 - From the population of 21 cellular phones active but unassigned as of February 21, 2018, examined Department records and evaluated management explanations for 7 selected unassigned cellular phones to determine whether Department use of cellular phones appeared reasonable and necessary.
 - Performed inquiries of Department management regarding the Department's administration of employee requests to access Department resources, including OneDrive, Outlook, and SharePoint accounts, using mobile devices, to determine whether the Department had established sufficient controls related to the use of agency-owned and personally owned devices to ensure the security of Department data and related IT resources.
 - From the population of 28 Department employees with an authorized mobile device who changed positions within the Department during the period July 2016 through February 2018, examined Department records for 3 selected employees to determine whether the Department ensured that the employees' use of mobile devices remained appropriate upon the employees' reassignment.
 - From the population of 1,165 Department employees during the period July 2016 through February 2018, examined Department records for 25 selected employees to determine whether the Department ensured that employees were aware of Department policies and procedures related to mobile devices.
- Observed, documented, and evaluated the effectiveness of selected Department processes and procedures for the administration of hurricane-related contracting and purchasing activities.

During the period July 2016 through February 2018, the Department expended \$1,442,688 related to hurricane activity impacting the Department for four Governor-declared emergencies. Specifically:

- From the population of 18 Department purchase orders, totaling \$157,335, related to Governor-declared emergencies during the period July 2016 through February 2018, examined the records for 7 selected Department purchase orders, totaling \$131,848, to determine whether the purchase orders appeared reasonable and necessary based on the applicable declared state of emergency.
- Compared hurricane-related purchasing card charges made during the period July 2016 through February 2018 to DFS Merchant Category Code classification records to determine whether the Department made unallowable purchasing card transactions.
- Analyzed Department purchasing card expenditure records for the period July 2016 through February 2018 to identify significant increases and investigated and assessed the reasonableness of any such increases.
- 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



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Tel: 850-488-2786 | Fax: 850-922-6149

Rick Scott, Governor

Erin Rock, Secretary

January 3, 2019

Ms. Sherrill F. Norman, CPA
Auditor General
Suite G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Ms. Norman:

Pursuant to subsection 11.45(4)(d), Florida Statutes, this is our response to your report, **Operational Audit of the Department of Management Services, Statewide Law Enforcement Radio System Prior Audit Follow-Up and Selected Administrative Activities**. Our responses correspond with the findings and recommendations related to the Department of Management Services contained in the preliminary and tentative finding report.

If further information is needed concerning our response, please contact Dawn E. Case, Inspector General, at 488-5285.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Erin Rock', written over a light blue horizontal line.

Erin Rock
Secretary

ER/sk-a

Enclosure

cc: David Zeckman, Chief of Staff
Bob Ward, Chief Information Officer
Heath Beach, Director of Telecommunications
Katie Parish, Director of Finance & Administration
Tom Berger, Director of Real Estate Development and Management
Eric Miller, Chief Inspector General
Dawn Case, Inspector General

| Audit Findings Status Update Form | | | |
|--|--|---|--|
| Status Date | Report No. | Report Title | |
| 1/3/19 | | Statewide Law Enforcement Radio System Prior Audit Follow-up and Selected Administrative Activities | |
| Contact Person | Title | Phone No. | Email Address |
| Heath Beach | Division Director | (850) 922-4135 | Heath.Beach@dms.myflorida.com |
| Activity | Accountability | Schedule | |
| SLERS Partner and Third-Party Tenant Revenue | Responsible Area | Repeat Finding | Anticipated Completion Date/Date Adjustments will be made |
| | Division of Telecommunications | Yes | 6/30/19 |
| Finding | | | |
| No. | 1 | | |
| Date | 12/4/18 | | |
| Finding Category: Statewide Law Enforcement Radio System | | | |
| Finding | Department policies and procedures for evaluating the accuracy and completeness of the State's proportionate share of revenue amounts due from SLERS partners and third-party tenants need enhancement. A similar finding was noted in our report No. 2015-104. | | |
| Recommendation | We recommend that Department management enhance policies and procedures for evaluating the accuracy and completeness of the reported revenue amounts due from SLERS partners and third-party tenants, including establishing procedures to obtain and review source documents from Harris to validate the amounts due. | | |
| Management | The SLERS contract monitoring guide will be updated to enhance the review of documentation related to third party and subscriber revenue. More specifically, additional details regarding the documentation necessary will be added to the policy, as well as a requirement to review this information. Appropriate agency personnel will receive training on these updated processes. | | |
| Status Update-6 months | | | |
| <input type="checkbox"/> | Open | | |
| <input type="checkbox"/> | Management/Agency Assumes Risk | | |
| <input type="checkbox"/> | Partially Complete | | |
| <input type="checkbox"/> | Complete Pending Verification by OIG | | |
| <input type="checkbox"/> | Closed | | |
| Status Update-12 months | | | |
| <input type="checkbox"/> | Open | | |
| <input type="checkbox"/> | Management/Agency Assumes Risk | | |
| <input type="checkbox"/> | Partially Complete | | |
| <input type="checkbox"/> | Complete Pending Verification by OIG | | |
| <input type="checkbox"/> | Closed | | |
| Status Update-18 months | | | |
| <input type="checkbox"/> | Open | | |
| <input type="checkbox"/> | Management/Agency Assumes Risk | | |
| <input type="checkbox"/> | Partially Complete | | |
| <input type="checkbox"/> | Complete Pending Verification by OIG | | |
| <input type="checkbox"/> | Closed | | |

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| Status Date | Report No. | Report Title | |
| 1/3/19 | | Statewide Law Enforcement Radio System Prior Audit Follow-up and Selected Administrative Activities | |
| Contact Person | Title | Phone No. | Email Address |
| Heath Beach | Division Director | (850) 922-4135 | Heath.Beach@dms.myflorida.com |
| Activity | Accountability | Schedule | |
| SLERS Monitoring | Responsible Area | Repeat Finding | Anticipated Completion Date/Date Adjustments will be made |
| | Division of Telecommunications | Yes | 6/30/19 |
| Finding | | Finding Category: Statewide Law Enforcement Radio System | |
| No. | 2 | | |
| Date | 12/4/18 | | |
| Finding | As similarly noted in our report No. 2015-104, Department records did not always demonstrate that sufficient contract monitoring was performed to verify that contract requirements were met. | | |
| Recommendation | We recommend that Department management ensure staff adhere to established policies and procedures for documenting Department monitoring of Harris' compliance with contract requirements. | | |
| Management | The SLERS contract monitoring guide will be updated to strengthen internal processes for verifying compliance with contract deliverables. Appropriate agency personnel will receive training on these updated internal processes. | | |
| Status Update-6 months | | | |
| <input type="checkbox"/> | Open | | |
| <input type="checkbox"/> | Management/Agency Assumes Risk | | |
| <input type="checkbox"/> | Partially Complete | | |
| <input type="checkbox"/> | Complete Pending Verification by OIG | | |
| <input type="checkbox"/> | Closed | | |
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| <input type="checkbox"/> | Management/Agency Assumes Risk | | |
| <input type="checkbox"/> | Partially Complete | | |
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| <input type="checkbox"/> | Closed | | |
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| Status Date | Report No. | Report Title | |
| 1/3/19 | | Statewide Law Enforcement Radio System Prior Audit Follow-up and Selected Administrative Activities | |
| Contact Person | Title | Phone No. | Email Address |
| Katie Parrish | Division Director | (850) 487-9911 | Katie.Parrish@dms.myflorida.com |
| Activity | Accountability | Schedule | |
| Conflict of Interest Statements | Responsible Area | Repeat Finding | Anticipated Completion Date/Date Adjustments will be made |
| | Division of Finance & Administration | No | 2/1/19 |
| Finding | | Finding Category: Selected Administrative Activities | |
| No. | 3 | | |
| Date | 12/4/18 | | |
| Finding | Department controls need enhancement to ensure that contract managers document that they are independent of, and have no conflicts of interest related to, the contracts they are responsible for managing. | | |
| Recommendation | We recommend that Department management ensure that all personnel responsible for managing contracts are subject to Department conflict of interest policies and procedures and that all contract managers complete conflict of interest statements evidencing that they are independent of, and have no conflicts of interest related to, the contracts they are responsible for managing. | | |
| Management | By February 1, 2019, Department management will ensure all personnel responsible for managing contracts for professional services and building construction within the Division of Real Estate Development and Management will complete conflict of interest statements evidencing that they are independent of, and have no conflicts of interest related to, the contracts they are responsible for managing. | | |
| Status Update-6 months | | | |
| <input type="checkbox"/> | Open | | |
| <input type="checkbox"/> | Management/Agency Assumes Risk | | |
| <input type="checkbox"/> | Partially Complete | | |
| <input type="checkbox"/> | Complete Pending Verification by OIG | | |
| <input type="checkbox"/> | Closed | | |
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| 1/3/19 | | Statewide Law Enforcement Radio System Prior Audit Follow-up and Selected Administrative Activities | |
| Contact Person | Title | Phone No. | Email Address |
| Katie Parrish | Division Director | (850) 487-9911 | Katie.Parrish@dms.myflorida.com |
| Activity | Accountability | Schedule | |
| Public Deposits | Responsible Area | Repeat Finding | Anticipated Completion Date/Date Adjustments will be made |
| | Division of Finance & Administration | No | 6/30/19 |
| Finding | | Finding Category: Selected Administrative Activities | |
| No. | 4 | | |
| Date | 12/4/18 | | |
| Finding | The Department did not comply with the requirements of State law regarding public deposits. | | |
| Recommendation | We recommend that Department management take steps to ensure compliance with the public deposits requirements established in State law. | | |
| Management | Upon discovery of outstanding accounts, Financial Management Services (FMS) immediately filed appropriate documentation with the Department of Financial Services. The public deposit procedure will be added to the FMS year-end training to educate the department. FMS will also create and send out an annual memo to the department to ensure all outside accounts are identified and reviewed. | | |
| Status Update-6 months | | | |
| <input type="checkbox"/> | Open | | |
| <input type="checkbox"/> | Management/Agency Assumes Risk | | |
| <input type="checkbox"/> | Partially Complete | | |
| <input type="checkbox"/> | Complete Pending Verification by OIG | | |
| <input type="checkbox"/> | Closed | | |
| Status Update-12 months | | | |
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Audit Findings Status Update Form

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| 1/3/19 | | Statewide Law Enforcement Radio System Prior Audit Follow-up and Selected Administrative Activities | |
| Contact Person | Title | Phone No. | Email Address |
| Katie Parrish | Division Director | (850) 487-9911 | Katie.Parrish@dms.myflorida.com |
| Activity | Accountability | Schedule | |
| Property Disposal | Responsible Area | Repeat Finding | Anticipated Completion Date/Date Adjustments will be made |
| | Division of Finance & Administration | No | 6/30/19 |
| Finding | | | |
| No. | 5 | Finding Category: Selected Administrative Activities | |
| Date | 12/4/18 | | |
| Finding | The Department did not always obtain all required authorizations prior to disposing of property items. | | |
| Recommendation | We recommend that Department management enhance property controls to ensure, and Department records evidence, that property is only disposed of after Committee authorization. | | |
| Management | Financial Mangement Services (FMS) met with the responsible program area and are working to update the procedure in writing. FMS is in the process of reviewing and updating all property procedures to ensure proper controls are in place. Workflows are being adjusted to increase monitoring of the department's assets. All property forms are being reviewed to ensure processes and proper approvals are being followed. Futhermore, an annual training will be provided to ensure staff are trained and aware of policies and procedures. | | |
| Status Update-6 months | | | |
| <input type="checkbox"/> | Open | | |
| <input type="checkbox"/> | Management/Agency Assumes Risk | | |
| <input type="checkbox"/> | Partially Complete | | |
| <input type="checkbox"/> | Complete Pending Verification by OIG | | |
| <input type="checkbox"/> | Closed | | |
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| <input type="checkbox"/> | Closed | | |
| Status Update-18 months | | | |
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| <input type="checkbox"/> | Management/Agency Assumes Risk | | |
| <input type="checkbox"/> | Partially Complete | | |
| <input type="checkbox"/> | Complete Pending Verification by OIG | | |
| <input type="checkbox"/> | Closed | | |

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| 1/3/19 | | Statewide Law Enforcement Radio System Prior Audit Follow-up and Selected Administrative Activities | |
| Contact Person | Title | Phone No. | Email Address |
| Bob Ward | Chief Information Officer | (850) 413-9169 | Bob.Ward@dms.myflorida.com |
| Activity | Accountability | Schedule | |
| Mobile Device Security Controls | Responsible Area | Repeat Finding | Anticipated Completion Date/Date Adjustments will be made |
| | Information Technology | No | 6/30/19 |
| Finding | | Finding Category: Selected Administrative Activities | |
| No. | 6 | | |
| Date | 12/4/18 | | |
| Finding | Security controls over mobile device utilization need improvement to ensure the confidentiality, integrity, and availability of Department data and information technology resources. | | |
| Recommendation | We recommend that Department management enhance certain security controls related to employee use of mobile devices to ensure the confidentiality, integrity, and availability of Department data and IT resources. | | |
| Management | The department will enhance certain security controls related to employee use of mobile devices to ensure the confidentiality, integrity and availability of Department data and IT resources. | | |
| Status Update-6 months | | | |
| <input type="checkbox"/> | Open | | |
| <input type="checkbox"/> | Management/Agency Assumes Risk | | |
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