

SPACE FLORIDA

Board Duties and Governance
and Selected Administrative Activities



Sherrill F. Norman, CPA
Auditor General

Space Florida

Section 331.302, Florida Statutes, establishes Space Florida as an independent special district, a body politic and corporate, and a subdivision of the State to foster the growth and development of a sustainable and world-leading aerospace industry in the State. Space Florida is governed by a 13-member independent Board of Directors (Board) that consists of the Governor or his designee and members appointed to the Board of Directors of Enterprise Florida, Inc., by the Governor, the President of the Senate, and the Speaker of the House of Representatives.

During the period of our audit, Frank DiBello served as Space Florida President and the following individuals served as Board members.

Governor Designee:

Jeanette Nuñez, Lieutenant Governor,
Current Board Chair

William Diamond, Former Board Chair

Governor Appointees:

Jay Beyrouti

Jesse Biter

Gregory Celestan

Sonya Deen

Belinda Keiser

John Rood

President of the Senate Appointees:

Jason Steele

Kenneth Kahn

Barbara Essenwine

Speaker of the House Appointees:

Mori Hosseini

Daniel Davis

Drew Weatherford

The team leader was Lynley B. Trent, CPA, and the audit was supervised by Christi Alexander, CPA.

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SPACE FLORIDA

Board Duties and Governance and Selected Administrative Activities

SUMMARY

This operational audit of Space Florida focused on cooperative agreements, Board duties and governance, and selected administrative activities. Our audit disclosed the following:

Board Duties and Governance

Finding 1: Space Florida Board committee meetings were not always held in accordance with committee charter requirements.

Selected Administrative Activities

Finding 2: Certain Space Florida entertainment and travel expenses did not appear to be clearly necessary or reasonable to the performance of Space Florida's statutory duties or commensurate with the entertainment and travel expenses authorized by State law.

Finding 3: Space Florida did not comply with certain requirements of State law regarding public deposits.

Finding 4: Space Florida contracted with a service organization to provide information technology (IT) services. However, Space Florida did not take steps to reasonably ensure that service organization controls relevant to the IT services performed on behalf of Space Florida were suitably designed and operating effectively.

Finding 5: Space Florida policies and procedures did not adequately promote the retention of records related to the sanitization and disposition of surplus computer hard drives.

Finding 6: Security controls over mobile device utilization need improvement to ensure the confidentiality, integrity, and availability of Space Florida data and IT resources.

Finding 7: Space Florida records did not evidence that network user access privileges were timely disabled for former employees.

BACKGROUND

Effective May 30, 2006, the Space Florida Act¹ consolidated the State's three existing space entities (Florida Space Authority, Florida Space Research Institute, and Florida Aerospace Corporation) into a single organization, Space Florida. State law² establishes Space Florida as an independent special district, a body politic and corporate, and a subdivision of the State to foster the growth and development of a sustainable and world-leading aerospace industry in the State. Space Florida is to promote aerospace business development by facilitating business financing, spaceport operations, research and development, workforce development, and innovative education programs. Space Florida utilizes various

¹ Chapter 331.301, Florida Statutes.

² Section 331.302, Florida Statutes.

funding sources to operate programs that retain, attract, and expand new business to the State and promote the State as the world's premier space business destination. Space Florida was appropriated \$18.5 million through the Department of Economic Opportunity (DEO) for the State fiscal year ended June 30, 2020, and was awarded aviation funding totaling \$32.5 million through a joint participation agreement with the Department of Transportation (DOT) for the Space Florida fiscal year ended September 30, 2020.

FINDINGS AND RECOMMENDATIONS

BOARD DUTIES AND GOVERNANCE

Pursuant to State law,³ Space Florida is governed by a 13-member independent Board of Directors (Board) that consists of the Governor or their designee and members appointed to the Board of Directors of Enterprise Florida, Inc., by the Governor, the President of the Senate, and the Speaker of the House of Representatives. The Board is responsible for the prudent oversight of Space Florida operations, for safeguarding Space Florida's interests and defining its activities and expected outcomes, and for long-term planning and direction.

Finding 1: Board Committee Meetings

The *Government-in-the-Sunshine-Manual (Manual)*, compiled by the Office of the Attorney General, provides that advisory boards and committees created by public agencies that have been delegated decision-making authority are subject to the Sunshine Law.⁴ According to the *Manual*, when a committee possesses or exercises not only the authority to conduct fact finding but also to make recommendations to a governing body, the committee is participating in the decision-making process and is subject to the Sunshine Law.

Pursuant to *Space Florida Governance Policies (Governance Policies)*, the Space Florida Board was to meet a minimum of four times a year. The Board established two standing committees, the Governance and Compensation Committee and the Audit and Accountability Committee, that were to directly report to the Board. The *Governance Policies* permitted the Board to designate advisory committees from time to time to counsel with the Board through the President regarding Space Florida. During the period July 2017 through February 2019, the Board had two established advisory committees, an Investment Committee and a Marketing Committee. The charters for both the standing and advisory committees specified that the committees were to meet at least twice a year, keep adequate minutes of all proceedings, and report committee actions at the next Board meeting via the consent agenda whenever possible.

As part of our audit, we interviewed Space Florida management and examined Board and committee meeting records and noted that Space Florida and Board actions did not always comply with committee charters, State law, or the *Manual*. Specifically, we noted that the Governance and Compensation Committee and Audit and Accountability Committee each met only once in 2017 and 2018, and the

³ Section 331.3081, Florida Statutes.

⁴ Section 286.011, Florida Statutes, is commonly referred to as the Sunshine Law.

Marketing Committee only met once in 2017 and did not meet in 2018. Additionally, contrary to its charter, the Marketing Committee did not report actions taken during the July 2017 and January 2019 Committee meetings at the next Board meeting. In response to our audit inquiry, Space Florida management indicated that committee meetings were not held more often due to scheduling conflicts between committee members and an absence of a quorum.

Holding periodic Board committee meetings in accordance with committee charter requirements and timely reporting committee actions to the Board promotes the accomplishment of committee tasks, goals, and objectives and ensures that the Board has knowledge of and can appropriately consider committee actions.

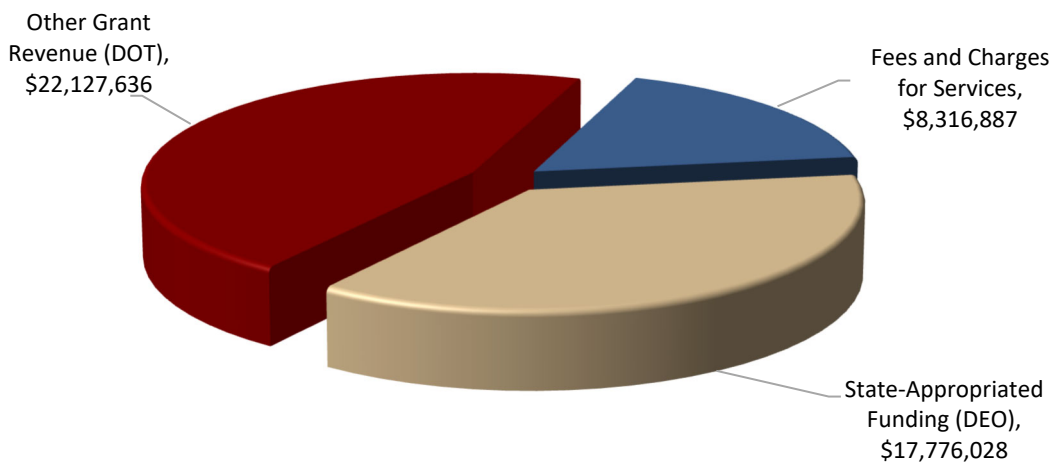
Recommendation: We recommend that Space Florida management ensure that committee meetings are held in accordance with committee charter requirements.

SELECTED ADMINISTRATIVE ACTIVITIES

Space Florida utilizes various funding sources to operate programs to retain, attract, and expand business to the State and to promote the State as the world’s premier space business destination. For the year ended September 30, 2019, Space Florida reported assets totaling approximately \$324.2 million, liabilities totaling approximately \$171.9 million, operating revenues totaling approximately \$48.2 million, and operating expenses totaling \$52.1 million.

For the year ended September 30, 2019, approximately 37 percent of Space Florida’s operating revenue came from State-appropriated funding through the DEO. Other grant revenue was awarded to Space Florida through a joint participation agreement with the DOT, with the remaining operating revenue generated from fees and charges for services. Chart 1 shows Space Florida operating revenues by source.

**Chart 1
Space Florida Operating Revenues
For the Year Ended September 30, 2019**



Source: 2019 Space Florida Financial Report.

As part of our audit, we evaluated selected Space Florida administrative activities and controls, including those related to entertainment and travel expenses, public deposits, service organizations, tangible personal property, mobile devices, and information technology (IT) access privileges.

Finding 2: Entertainment and Travel Expenses

State law and Space Florida policies and procedures establish requirements for Space Florida entertainment and travel expenses. Specifically:

- State law⁵ provides that entertainment expenses of Space Florida officers and employees are permissible when such expenses are incurred while in the physical presence of business clients,⁶ guests,⁷ or authorized persons.⁸
- State law⁹ defines entertainment expenses as the actual, necessary, and reasonable costs of providing hospitality for business clients or guests, which costs are defined and prescribed by rules adopted by Space Florida, subject to approval by the Space Florida Chief Financial Officer (CFO).
- Space Florida rules¹⁰ require that the reimbursement policy for travel and entertainment expenses be in accordance with Sections 112.061 and 331.3101, Florida Statutes.
- Space Florida Governance Policies specified that members of Space Florida's Board were entitled to be reimbursed for expenses incurred during activities required to carry out their duties on behalf of Space Florida. Additionally, State law¹¹ and Space Florida policies and procedures¹² set forth the standard travel reimbursement rates, procedures, and limitations applicable to public officers, employees, and authorized persons, including travel-related meal allowances of \$6 for breakfast, \$11 for lunch, and \$19 for dinner.
- State law¹³ and Space Florida policies and procedures require Space Florida officers, employees, and other authorized persons to use the most economical means of travel.
- Space Florida policies and procedures specified that Space Florida officers and employees traveling on Space Florida business were to complete travel authorization and reimbursement voucher forms that included the name of each traveler, purpose of travel, period of travel, estimated cost to the State, and a statement of benefits accruing to the State by virtue of such travel. Travel authorization forms were to be completed prior to travel for all Space Florida officers

⁵ Section 331.3101(1)(b), Florida Statutes.

⁶ Section 331.303(4), Florida Statutes, defines business client as any person, other than a State official or State employee, who receives services of, or is the subject of solicitation by, representatives of Space Florida in connection with the performance of its statutory duties, including purchasers or prospective purchasers of Space Florida services, persons or representatives of firms considering or being solicited for investment in Space Florida projects, persons or representatives of firms considering or being solicited for location, relocation, or expansion of an aerospace-related business within the State, and business, financial, or other persons connected with the aerospace industry.

⁷ Section 331.303(8), Florida Statutes, defines guest as a person, other than a State official or State employee, authorized by the Board or its designee to receive the hospitality of Space Florida in connection with the performance of its statutory duties.

⁸ Section 112.061(2)(e), Florida Statutes, defines authorized person as a person other than a public officer or employee, whether elected or commissioned or not, who is authorized by an agency head to incur travel expenses in the performance of official duties, and a person who is called upon by an agency to contribute time and services as consultant or adviser or who is a candidate for an executive or professional position.

⁹ Section 331.303(6), Florida Statutes.

¹⁰ Space Florida Rule 57-50.002(3), Florida Administrative Code.

¹¹ Section 112.061, Florida Statutes.

¹² Space Florida *Travel and Finance Policies*.

¹³ Section 112.061(3)(b) and (7), Florida Statutes.

and employees and authorized and approved by either the President, Treasurer, or CFO of Space Florida, or a designated representative.

As previously noted, approximately 37 percent of Space Florida's operating revenue for the 2019 fiscal year came from State-appropriated funding through the DEO and, historically, such funds have been used to fund general operating expenses that included entertainment and travel expenses. For the fiscal years ended September 30, 2018, and September 30, 2019, Space Florida reported entertainment and travel expenses totaling \$304,868 and \$290,297, respectively.

As part of our audit, we evaluated Space Florida rules, policies and procedures, and examined Space Florida records for selected entertainment and travel expenses paid for with State-appropriated funds during the period January 2017 through December 2018 and found that:

- Contrary to State law,¹⁴ Space Florida incurred entertainment expenses for Space Florida officers and employees while the officers and employees were not in the physical presence of business clients, guests, or authorized persons. Specifically, we noted Space Florida incurred food-related expenses totaling \$6,750 during the period May 2017 through December 2018 for staff luncheons and meetings held amongst Space Florida executives. In response to our audit inquiry, Space Florida management indicated that there were public purposes for each of the expenses and that the expenses were business-related and made in conjunction with Space Florida President's schedule and availability.
- Neither Space Florida rules nor policies and procedures provided parameters for entertainment expenses or defined the actual, necessary, and reasonable costs of providing hospitality for business clients or guests. Such parameters are essential to determining and documenting the necessity for hospitality services and the reasonableness of the related costs in advance. Our audit found that Space Florida hosted several meetings for current and potential customers over 4 days while attending the April 2018 Space Symposium at the Broadmoor Hotel in Colorado Springs, Colorado. Space Florida incurred expenses related to the rental of a meeting room and audio-visual equipment, as well as food and beverages. As shown in Table 1, expenses for the meetings totaled \$5,556.

¹⁴ Section 331.3101(1)(b), Florida Statutes.

Table 1
Space Florida Meeting Expenses
April 2018 Space Symposium

Item or Expense	Cost
Meeting room rental (\$600/per day x 4 days)	\$2,400
Meeting room equipment	322
Meeting room posters	108
10 Gallons of coffee (\$89/per gallon)	890
4 Gallons of tea (\$89 per gallon)	356
4 Gallons of tea (\$62 per gallon)	248
4 Dozen bagels (\$58/per dozen)	232
3 Dozen fruit kabobs (\$52/per dozen)	156
2 Dozen cookies (\$58/per dozen)	116
6 Pounds pretzels (\$12/per pound)	72
14 Soft drinks (\$4.75/each)	67
27 Waters (\$4.75/each)	128
Service Charges	544
Tax	299
Comped	(382)
Total	<u>\$5,556</u>

Source: Space Florida records.

- Space Florida Board members and staff were provided meals that exceeded the meal allowances authorized by State law and Space Florida policies and procedures. Our examination of Space Florida records disclosed that Space Florida hosted a joint Space Florida and Enterprise Florida Board of Directors meeting at the Loews Portofino Bay Hotel at Universal Orlando Florida on November 26 and 27, 2018. As shown in Table 2, Space Florida incurred food and beverage expenses totaling \$1,851.

Table 2
Space Florida Board of Directors Meeting Expenses

Item or Expense	Costs
16 Time-sensitive plated lunches (\$50/each)	\$ 800
45 Assorted soft drinks (\$6.75/each)	304
3 Gallons of coffee (\$96/per gallon)	288
2 Dozen cookies (\$64/per dozen)	128
3 Bottled waters (\$6.75/each)	20
Service Charges	385
10% Discount	(74)
Total	<u>\$1,851</u>

Source: Space Florida records.

According to Space Florida management, due to the location and length of the meeting, lunch and refreshments were provided to accommodate the busy schedule of the Board members and staff.

- Space Florida records did not include justification for three Space Florida executives flying first or business class on ten international trips with airfare totaling \$62,520. In response to our audit

inquiry, Space Florida management provided various reasons for the first or business class travel, including that the travel allowed the executives to perform business-related activities at their destination and the age and health of the travelers. Notwithstanding, such reasons were not documented in Space Florida records.

- Space Florida travel authorization forms and reimbursement vouchers were not always timely prepared and authorized. Our examination of 51 travel authorization forms and reimbursement vouchers for travel occurring during the period January 2017 through December 2018 disclosed that:
 - Travel authorization forms for 14 trips were signed by an official authorizing the travel 2 to 95 (an average of 29) days after the travel occurred. According to Space Florida management, the travel authorization forms were not signed prior to travel due to staff availability constraints; however, verbal permission was received for all travel.
 - Reimbursement vouchers for 50 trips were completed 11 to 288 (an average of 51) days after the travel occurred. In response to our audit inquiry, Space Florida management indicated that some of the delays were due to the time needed to receive supporting documentation.

While we recognize that, in fulfilling its mission, Space Florida must incur travel and entertainment expenses, as stewards of public funds, Space Florida management is responsible for establishing internal controls that ensure that expenditures are authorized by and in accordance with applicable law or other guidelines, reasonable in the circumstances and necessary to accomplish authorized purposes, and in pursuit of a public, rather than a private, purpose.

Recommendation: We recommend that Space Florida management ensure that established controls, including policies and procedures, promote the expenditure of public funds for travel and entertainment expenses in accordance with State law and other guidelines and that Space Florida records clearly demonstrate that such expenditures are reasonable in the circumstances and necessary to accomplish authorized purposes in pursuit of a public purpose.

Finding 3: Public Deposits

State law¹⁵ requires all public deposits to be made in a qualified public depository (QPD)¹⁶ unless exempted by law. State law¹⁷ specifies that all public deposits are considered secured and protected from loss when public depositors (e.g., Space Florida) comply with the requirements of Chapter 280, Florida Statutes.

Pursuant to State law,¹⁸ 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 account and that collateralization of the account must be provided. State law¹⁹ also requires public depositors to

¹⁵ Section 280.03(1)(b), Florida Statutes.

¹⁶ 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.

¹⁷ Sections 280.03(1)(a) and 280.18(1), Florida Statutes.

¹⁸ Section 280.17(2), Florida Statutes.

¹⁹ Section 280.17(5) and (6), Florida Statutes.

confirm annually that public deposit information as of September 30 has been provided by each QPD and agrees with public depositor records and to submit an annual report to the CFO by November 30th.

As part of our audit, we requested from Space Florida 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 2017 through February 2019 and examined the 2017 and 2018 annual reports submitted by Space Florida to the CFO. We noted that Space Florida did not complete Forms for six of the seven public deposit accounts held by Space Florida outside of the Division of Treasury during the period July 2017 through February 2019, including for one account with an average balance of \$955,628. In response to our audit inquiry, Space Florida management indicated that Forms for four of the six accounts were not completed due to an oversight and that Forms were not required to be completed for the other two accounts because the accounts did not include public moneys and were not considered public depositories pursuant to Chapter 280, Florida Statutes. Notwithstanding, although we requested, Space Florida management was unable to provide support for the basis for such exemptions and we found that the two accounts included escrowed loan repayment and interest amounts originating from a State loan.

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

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

Finding 4: Service Organization Controls

Space Florida contracts with a service organization²⁰ to provide IT services, such as on-site and off-site technology support for Space Florida's local network, desktop users, and telephone systems. It is incumbent upon Space Florida to take steps to reasonably ensure that the service organization controls relevant to the IT services provided are suitably designed and operating effectively. Such steps may include requiring the service organization to provide a service auditors report²¹ on the effectiveness of the controls established by the organization or, alternatively, Space Florida monitoring of the effectiveness of relevant service organization controls.

As part of our audit, we interviewed Space Florida management and examined Space Florida records and found that, during the period July 2017 through February 2019, Space Florida had not requested or received service auditor reports on the effectiveness of the service organization's controls nor monitored the effectiveness of relevant controls. Additionally, we noted that the service organization contract did

²⁰ Service organizations provide services to user entities, some of which may be relevant to the user entities' internal control over financial reporting.

²¹ A service auditor's report, as described by the American Institute of Certified Public Accountants, AT-C Section 320, *Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Over Financial Reporting*, provides information and auditor conclusions related to a service organization's controls. Service organizations make service auditor reports available to user organizations to provide assurances related to the effectiveness of the service organization's relevant internal controls. AT-C Section 320.04 states that the guidance provided in AT-C Section 320 may be helpful in reporting on controls at a service organization other than those that are likely to be relevant to user entities' internal control over financial reporting.

not include a provision requiring the service organization to provide Space Florida a service auditor's report. In response to our audit inquiry, Space Florida management indicated that, while they were familiar with service auditor reports, no such reports had been requested or received by Space Florida from the service organization.

An evaluation of relevant service organization controls would provide Space Florida management assurance that internal controls relevant to the IT services provided by the service organization are suitably designed and operating effectively.

Recommendation: We recommend that Space Florida management make or obtain independent and periodic assessments of the effectiveness of the service organization's relevant internal controls.

Finding 5: Surplus Computer Hard Drive Sanitization and Disposition Procedures and Documentation

To promote the appropriate disposal of surplus computers, it is important for entities to follow an orderly and controlled disposal process. Most importantly, when surplus computers are to be destroyed, repurposed, or made available to other entities, appropriate procedures need to be followed to sanitize or physically destroy the surplus computer hard drives to ensure that confidential and sensitive information is removed and cannot be inadvertently or inappropriately disclosed. Effective IT security controls include maintaining complete and accurate disposal records to document the surplus computer hard drives sanitized or physically destroyed, when and how the hard drives were sanitized or destroyed, and the final disposition.

Space Florida policies and procedures²² required that all surplus property be reported to Space Florida's President, Chief Financial Officer, or Treasurer and be disposed of in an accountable manner in the best interest of the State. To determine whether Space Florida had established effective controls for removing confidential and sensitive data from surplus computer hard drives prior to disposal and for maintaining accurate and complete disposal records, we evaluated Space Florida policies and procedures and requested disposition records for 12 of the 22 surplus computers disposed of by Space Florida during the period July 2017 through February 2019. Our audit procedures found that Space Florida policies and procedures did not address the sanitization of confidential and sensitive data from surplus computer hard drives prior to disposal. Additionally, although Space Florida management indicated that surplus computer hard drives were physically destroyed prior to disposal, Space Florida did not retain records evidencing the destruction.

Effective policies and procedures for managing the surplus computer hard drive sanitization and disposition process help promote accountability and reduce the risk that Space Florida information may be compromised. Without records documenting that each surplus computer hard drive was sanitized or physically destroyed before disposal, management has reduced assurance that confidential or sensitive Space Florida information was appropriately removed from the hard drive.

²² Space Florida *Travel and Finance Policies*.

Recommendation: We recommend that Space Florida management enhance policies and procedures to address processes for sanitizing or physically destroying computer hard drives prior to disposal. Such policies and procedures should require that documentation be prepared and retained to evidence the sanitization or destruction and disposal of the hard drives.

Finding 6: Mobile Device Security Controls

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit procedures disclosed that certain security controls related to mobile device²³ utilization need improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising Space Florida data and IT resources. However, we have notified appropriate Space Florida management of the specific issues.

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

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

Finding 7: Network Access Privilege Controls

Effective access security controls require entities to ensure that IT access is promptly removed when access to an IT resource is no longer required. Prompt action to disable user access privileges when an employee separates from employment or when access to the IT resource is no longer required is necessary to help prevent misuse of the access privileges.

The Space Florida *IT Security Policy* specified that the Human Resource Department was to notify the IT Department of voluntary employee terminations as soon as practicable and that involuntary terminations were to be coordinated with the IT Department. According to Space Florida management, the IT Department was required to change network user access credentials at the earliest possible and practical time for voluntary employee terminations and at an appointed time for involuntary employee terminations. Additionally, the IT Department was to place a “hold” status on the user’s computer for at least 30 days to allow the terminated employee’s supervisor to confirm that e-mail forwarding should be discontinued and that the user account should be disabled.

To determine whether network user access privileges were timely disabled upon a user’s separation from Space Florida employment, we examined records for the nine employees with network access who separated from Space Florida employment during the period July 2017 through February 2019. Our examination disclosed that Space Florida records did not evidence the date that the users’ access privileges were disabled; therefore, Space Florida management could not demonstrate that the access privileges were timely disabled. According to Space Florida management, changes to account

²³ Mobile devices are portable devices, such as laptop computers, smartphones, and tablets, that allow storage and transmittal of entity data.

permissions are tracked on server logs; however, the logs are only available for 30 to 60 days before they are overwritten with new activity.

Promptly disabling network user access privileges upon an employee's separation from Space Florida employment reduces the risk that the network access privileges may be misused by the former employee or others.

Recommendation: To minimize the risk of compromise to Space Florida data and IT resources, we recommend that Space Florida management enhance procedures to require that network user access privileges be promptly disabled upon an employee's separation from Space Florida employment or when access is no longer required. In addition, Space Florida should retain records evidencing the dates network user access privileges are disabled.

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 March 2019 through August 2021 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 Space Florida focused on cooperative agreements, Board duties and governance, 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.

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

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

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

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

In conducting our audit, we:

- Reviewed applicable laws, rules, and interviewed Space Florida personnel to obtain an understanding of the legal framework governing Space Florida operations.
- Evaluated the effectiveness of Space Florida's Board and Board governance pursuant to Section 331.310, Florida Statutes, during the period July 2017 through February 2019, by:
 - Interviewing Space Florida personnel and reviewing Board policies and procedures and applicable laws and rules related to the Board and Board governance.
 - Examining Board records to determine whether Space Florida was governed by a 13-member independent Board pursuant to Section 331.3081, Florida Statutes; had appointed a person to act as the president of Space Florida, having such official title, functions, duties, powers, and salary as the Board prescribed; and conducted annual reviews of the President's performance.
 - Examining Space Florida records to determine whether Space Florida developed internal controls to ensure compliance with State law, maintain Board structure, and provide appropriate governance for the operations of Space Florida in the areas of planning, financial stewardship, human resources stewardship, performance monitoring and accountability, risk management, community representation and advocacy, management of critical transitional phases, and complaints review.
 - Examining Board meeting minutes to determine whether: the appropriate number of meetings per year were held; decisions of the Board were made as a group at Board meetings at which a majority or quorum was present; the Board ensured compliance with Code of Ethics, Conflict of Interest, and financial disclosure requirements; and applicable Board committees met for the purposes outlined in Board Governance Policies.
 - Examining Board annual reports to determine whether the reports complied with the requirements specified in Section 331.310(2)(2), Florida Statutes, and whether the reports included a report of operations as a supplement to the annual report pursuant to Section 331.3051(11), Florida Statutes.

- Evaluated the effectiveness of Space Florida’s cooperative agreements with the Department Education, the Department of Transportation, Enterprise Florida, Inc., and CareerSource Florida, Inc. during the period July 2017 through February 2019 by:
 - Examining Space Florida records to determine whether Space Florida had created and maintained an up-to-date business plan to foster the growth and development of the aerospace industry in the State and whether the business plan addressed the topics of business development, finance, spaceport operations, research and development, workforce development, and education.
 - Examining Space Florida records to determine whether Space Florida had entered into cooperative agreements with the Department of Education, the Department of Transportation, Enterprise Florida, Inc., and CareerSource Florida, Inc., to carry out its statutory responsibilities pursuant to Section 331.3051(2), Florida Statutes, and whether the cooperative agreements contained sufficient terms and conditions to ensure that Space Florida objectives were being achieved.
 - Reviewing Space Florida policies and procedures and applicable laws and rules for monitoring cooperative agreements with the Department of Education, the Department of Transportation, Enterprise Florida, Inc., and CareerSource Florida, Inc.
 - Examining Space Florida records to determine whether Space Florida conducted appropriate monitoring of the services to be provided pursuant to the cooperative agreements and took appropriate action to timely follow up on deficiencies noted during monitoring.
 - Reviewing Space Florida’s 2017 and 2018 annual reports submitted to the Governor, the President of the Senate, and the Speaker of the House of Representatives to determine whether the reports were submitted timely and contained information related to finance, spaceport operations, research and development, workforce development, and education.
 - Examining the Space Florida spaceport master plan dated January 2017 to determine whether it met the requirements pursuant to Section 331.303, Florida Statutes, regarding expansion and modernization of space transportation facilities within spaceport territories and whether the Florida Department of Transportation incorporated Space Florida’s recommended projects into their 5-year work program.
- Observed, documented, and evaluated the effectiveness of selected Space Florida processes and procedures for:
 - Cash and revenue management and purchasing activities.
 - The administration of credit card purchases in accordance with Space Florida policies and procedures. From the population of 329 credit card purchases, totaling \$83,794, made during the period July 2017 through February 2019, examined Space Florida records for 15 selected credit card purchases totaling \$31,060 to determine whether the purchases were made and accounted for in accordance with Space Florida policies and procedures.
 - The administration of tangible personal property in accordance with Space Florida policies and procedures. As of February 2019, Space Florida was responsible for tangible personal property with related acquisition costs totaling \$10,863,045.
 - The administration of Space Florida contracts and purchasing activities in accordance with Space Florida policies and procedures. Space Florida was responsible for 706 contracts, totaling \$93,582,791, active at some point during the period July 2017 through February 2019.
 - The administration of Space Florida travel and entertainment expenses in accordance with State law and other applicable guidelines. During the period July 2017 through February 2019, Space Florida travel and entertainment expenditures totaled \$481,696.

- The assignment and use of mobile devices during the period July 2017 through February 2019.
- The acquisition and management of real property leases in accordance with Space Florida policies and procedures, and other applicable guidelines. As of February 2019, Space Florida was responsible for 39 real property leases.
- General expenditures. Specifically, we examined 25 selected general expenditure transactions, totaling \$548,579, to determine whether the transactions were properly authorized, approved, and paid in accordance with Space Florida policies and procedures and other applicable guidelines. During the period July 2017 through February 2019, Space Florida general expenditures totaled \$7,925,266.
- The oversight of service organization controls. Specifically, we examined Space Florida records and evaluated Space Florida processes to determine whether Space Florida took steps to reasonably ensure that service organization controls relevant to the services performed on behalf of Space Florida were suitably designed and operating effectively.
- Network access privileges. Specifically, we examined network access privilege and termination records for the nine Space Florida employees who separated from Space Florida employment during the period July 2017 through February 2019 and whose network access privileges were deactivated during the period July 2017 through February 2019 to determine whether Space Florida timely deactivated user access privileges upon an employee's separation from Space Florida employment.
- Interviewed Space Florida management and examined Space Florida records related to land-use agreements with the National Aeronautics and Space Administration (NASA). Specifically, we evaluated the adequacy of Space Florida procedures for:
 - Evaluating and approving or denying lease requests.
 - Maintaining the Shuttle Landing Facility.
- Interviewed Space Florida and Department of Transportation (DOT) management, examined Space Florida records, and evaluated Space Florida's performance under, and compliance with, DOT contracts G1012 and G1379.
- 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

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

SPACE FLORIDA



Space Florida Responses Preliminary and Tentative Audit Findings

November 10, 2021

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

Dear Ms. Norman,

In response to the Preliminary and Tentative Findings Report dated October 11, 2021, submitted by the Auditor General, State of Florida, the following are our written statements of explanation. Included in our response is management's plan for correcting or improving the findings presented. We also certify that we are not aware of any subsequent events related to the scope of this audit.

We want to thank the entire audit team for their professionalism during the audit process.

Please do not hesitate to contact Jamie Bonjawa at 321-730-5301 X-251 should you have any questions or need additional information.

Sincerely,

Denise Swanson
Executive Vice President, CFO & Corporate Administration Officer

SPACE FLORIDA



Space Florida Responses Preliminary and Tentative Audit Findings

Board Duties and Governance

Finding 1 – Board Committee Meetings: Space Florida Board committee meetings were not always held in accordance with committee charter requirements.

Auditor General Recommendation: We recommend that Space Florida management ensure that committee meetings are held in accordance with committee charter requirements.

Space Florida's Response: Space Florida agrees that committee meetings were not always held in accordance with committee charter requirements. This is because Space Florida was unable to get together a quorum of committee members due to scheduling conflicts. To remedy this issue, Space Florida will amend the committee charter requirements. It is important to note that even though the committees did not meet the number of times specified in the committee charters, this did not affect the work of the Space Florida Board of Directors or Space Florida staff.

Selected Administrative Activities

Finding 2 - Entertainment and Travel Expenses: Certain Space Florida entertainment and travel expenses did not appear to be clearly necessary or reasonable to the performance of Space Florida's statutory duties or commensurate with the entertainment and travel expenses authorized by State law.

Auditor General Recommendation: We recommend that Space Florida management ensure that established controls, including policies and procedures, promote the expenditure of public funds for travel and entertainment expenses in accordance with State law and other guidelines and that Space Florida records clearly demonstrate that such expenditures are reasonable in the circumstances and necessary to accomplish authorized purposes in pursuit of a public purpose.

Space Florida's Response: Space Florida agrees with the recommendation to improve documentation and is currently working on updating the Travel and Finance policies and procedures to ensure travel and entertainment expense records clearly demonstrate that the expenditures are reasonable in the circumstances and necessary to accomplish authorized purposes in pursuit of public purpose.

SPACE FLORIDA



Space Florida Responses Preliminary and Tentative Audit Findings

Finding 3 - Public Deposits: Space Florida did not comply with certain requirements of State law regarding public deposits.

Auditor General Recommendation: We recommend that Space Florida management take steps to ensure compliance with the public deposit requirements established in State law.

Space Florida's Response: Space Florida agrees with the recommendation and has taken steps to ensure that the Public Deposit Identification and Acknowledgment Form is completed when an account is established to ensure compliance with the public deposit requirements established in State law.

Finding 4 - Service Organization Controls: Space Florida contracted with a service organization to provide information technology (IT) services. However, Space Florida did not take steps to reasonably ensure that service organization controls relevant to the IT services performed on behalf of Space Florida were suitably designed and operating effectively.

Auditor General Recommendation: We recommend that Space Florida management make or obtain independent and periodic assessments of the effectiveness of the service organization's relevant internal controls.

Space Florida's Response: Space Florida agrees with the recommendation and is taking steps to implement an independent assessment of the effectiveness of the service organization's relevant internal controls on no less than an annual basis.

Finding 5 - Surplus Computer Hard Drive Sanitization and Disposition Procedures and Documentation: Space Florida policies and procedures did not adequately promote the retention of records related to the sanitization and disposition of surplus computer hard drives.

Auditor General Recommendation: We recommend that Space Florida management enhance policies and procedures to address processes for sanitizing or physically destroying computer hard drives prior to disposal. Such policies and procedures should require that documentation be prepared and retained to evidence the sanitization or destruction and disposal of the hard drives.

Space Florida's Response: Space Florida agrees with the recommendation to improve documentation and is currently working on updating the IT policies and procedures to enhance our process for sanitization or destruction of hard drives before disposal and ensure that appropriate documentation is retained to evidence the sanitization or destruction and disposal of the hard drives.

SPACE FLORIDA



Space Florida Responses Preliminary and Tentative Audit Findings

Finding 6 - Mobile Device Security Controls: Security controls over mobile device utilization need improvement to ensure the confidentiality, integrity, and availability of Space Florida data and IT resources.

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

Space Florida's Response: Space Florida agrees with the recommendation to improve security controls on mobile devices and is currently working on an update to the IT policies and procedures to enhance security controls related to employee use of mobile devices to access Space Florida data and IT resources.

Finding 7 – Network Access Privilege Controls: Space Florida records did not evidence that network user access privileges were timely disabled for former employees.

Auditor General Recommendation: To minimize the risk of compromise to Space Florida data and IT resources, we recommend that Space Florida management enhance procedures to require that network user access privileges be promptly disabled upon an employee's separation from Space Florida employment or when access is no longer required. In addition, Space Florida should retain records evidencing the dates network user access privileges are disabled.

Space Florida's Response: Space Florida agrees with the recommendation to improve documentation and is currently updating the IT policies and procedures to ensure network user access privileges are timely disabled for former employees, and proper evidence is retained that documents user access privileges were timely disabled.