



AUDITOR GENERAL

WILLIAM O. MONROE, CPA



DEPARTMENT OF MANAGEMENT SERVICES SELECTED ADMINISTRATIVE FUNCTIONS AND FOLLOW-UP ON SELECTED PRIOR AUDIT FINDINGS

Operational Audit

SUMMARY

As summarized below, our audit of the Department of Management Services (Department) for the period July 2004 through February 2006, and selected Department actions taken through October 31, 2006, disclosed control deficiencies related to selected administrative functions at the Department.

Travel

Finding No. 1: Contrary to the requirements of laws, rules, Department procedures, and other guidelines, the Department's Secretary and other senior managers did not always utilize the most economical and efficient means of travel. Other instances were also noted in which travel expenditures did not conform to the requirements of law and rule.

Budget

Finding No. 2: For the expenses category, Department transfers of budget authority exceeded the limits established by law by \$23,000 for the Executive Direction and Administration budget entity.

Invoice Processing

Finding No. 3: Department procedures did not reasonably ensure that all payments for goods and services were made within the time limits established by law.

Personnel

Finding No. 4: Contrary to established Department policies and procedures, some time sheets were not timely approved.

Finding No. 5: Justification comments were not provided for some pay-affecting personnel action requests exceeding 5 percent of the employee's current salary or 5 percent of the minimum of the pay band, contrary to Department policies and procedures.

Finding No. 6: Travel reimbursements for employee commuting, totaling \$6,871, and not authorized for reimbursement pursuant to Section 112.061, Florida Statutes, were paid to an other personal services (OPS) employee.

System Access

Finding No. 7: The Department did not timely remove Florida Accounting Information Resource Subsystem (FLAIR) access for terminated employees.

Follow-Up on Prior Audit Findings - People First and MyFloridaMarketPlace Contracts

Finding No. 8: The Department still cannot identify all costs incurred in connection with the People First and MyFloridaMarketPlace projects. Related findings were also noted in our audit report Nos. 2005-047 and 2005-116.

Finding No. 9: The Department should determine the steps that can be taken to mitigate People First contract deficiencies. Similar findings were included in our audit report No. 2005-047.

Follow-Up on Prior Audit Findings - Surplus Motor Vehicle Auctions

Finding No. 10: In audit report No. 2005-035, we reported that at least \$411,150 related to the Motor Vehicle Operating Trust Fund had not been properly received and accounted for by the Department. In addition, we described some

internal control deficiencies relating to the duties of the Property Administrator. Although the Department has implemented some procedures to strengthen accountability over the surplus motor vehicle auction function, additional enhancements are needed to ensure a proper accounting of auction proceeds.

BACKGROUND

The Department was created by Section 20.22, Florida Statutes. The head of the Department is the Secretary, who is appointed by the Governor and subject to confirmation by the Senate. The Secretaries who have served the Department during the audit period are as follows:

**Table 1
Department Secretaries and Dates of Service**

Secretary	Dates of Service
William S. Simon	April 14, 2003 - January 28, 2005
Robert Hosay (Interim Secretary)	January 29, 2005 - March 7, 2005
Tom Lewis, Jr.	March 8, 2005 - Present

Source: Department personnel records.

The Department serves as the administrative arm of State government. As such, the Department is responsible for:

- Consolidating the State’s purchasing power for buying commodities and services and establishing rules and guidelines to ensure a fair, competitive procurement process;
- Serving as the central entity for the construction, operation, maintenance, and security of State-owned facilities and providing telecommunication services to State and local governments to improve efficiency and delivery of services to Florida citizens;
- Administering the Statewide government employee retirement system and monitoring the actuarial soundness of local government retirement systems; and
- Developing rules and guidelines to ensure that human resource issues including employee recruitment, promotion, and discipline are fairly and uniformly addressed and implemented.

FINDINGS AND RECOMMENDATIONS

As described in the **BACKGROUND**, the Department’s organization and responsibilities are quite diversified. The establishment and effective dissemination of policies and procedures, proper training, and monitoring are key to ensuring that employees have the necessary skills and resources to achieve organizational success in compliance with established controls and governing laws, rules, and other guidelines. In this report, we describe control deficiencies related to selected administrative functions at the Department.

Travel

Finding No. 1: Travel Expenditures and Controls

Section 112.061, Florida Statutes, was created by the Legislature to provide uniform maximum travel rates and limitations, with certain stated exceptions, applicable to all public officers, employees, and authorized persons whose travel expenses are paid by a public agency. In addition to the requirements of the above-cited law, the Department of Financial Services has established administrative rules and procedures to be followed when State agencies pay travel expenses.

Expenditures of public funds, such as expenditures for travel, must be authorized by applicable law or ordinance; be reasonable in the circumstances and necessary to the accomplishment of authorized purposes of the governmental unit; and be in pursuit of a public, rather than a private, purpose. Documentation of an expenditure, in sufficient detail to establish the authorized public purpose served, and how that particular expenditure serves to further the identified public purpose, should be present for payment of funds. The Attorney General has indicated on several occasions that documentation of expenses must be in sufficient detail to demonstrate to

the postauditor and the public the authorized public purpose served by such expenditure.¹

Travel expenditures paid by the Department for trips taken by the Secretary during the period April 2005 through June 2006 totaled approximately \$27,215, including reimbursements to the Secretary totaling \$1,811. Our tests of the travel charges incurred by the Secretary and other Department senior managers disclosed issues relating to executive aircraft usage, timely submittal of travel vouchers, the travel preaudit process, and other travel-related matters, as described below:

➤ *State Executive Aircraft Usage.* Department of Financial Services Rule 69I-42.007, Florida Administrative Code, provides that travelers by aircraft are to make use of any State term contracts in effect, or if not available, ensure that travel arrangements are at the most economical rate and class available. Further, the Department’s *Travel Procedures* provide that the following modes of aircraft transportation are considered the most efficient: commercial air transportation using the State contract airfare rates or State aircraft when four or more travelers need transportation for in-State or short out-of-State trips. (See **APPENDIX A** for more details.)

The Secretary’s travel vouchers indicated that he frequently utilized State executive aircraft and, for several of the reported trips, we compared the costs of State executive aircraft travel to that of commercial aircraft travel. Our review disclosed that the Secretary’s travel could have been conducted in a more economical and efficient manner. For example, for the trips shown on Table 2, the State executive aircraft costs were approximately four to nine times greater than commercial aircraft costs:

Table 2
Comparison of State Executive Aircraft Travel Costs to Commercial Aircraft Travel Costs

Destination	Date of Travel	State Executive Aircraft Charges			Commercial Aircraft Charge
		Aircraft Charge	Ferry Charge	Total Charges	
ROUND-TRIP TRAVEL					
Tallahassee/Kissimmee	04/29/2005 05/02/2005	\$ 1,291	\$ 50	\$ 1,341	\$ 328 ⁽¹⁾
Tallahassee/Orlando/Kissimmee	05/26/2005 06/05/2005	\$ 1,108	\$ 1,108	\$ 2,217	\$ 328 ⁽¹⁾
Tallahassee/Kissimmee	06/10/2005 06/13/2005	\$ 1,425	\$ 1,346	\$ 2,771	\$ 328 ⁽¹⁾
ONE-WAY TRAVEL					
Tallahassee/Orlando/Kissimmee	06/30/2005	\$ 633	\$ 356	\$ 990	\$ 176 ⁽²⁾
Tallahassee/Kissimmee	11/17/2005	\$ 813	\$ 894	\$ 1,706	\$ 176 ⁽²⁾
Ft. Lauderdale/Tallahassee	12/13/2005	\$ 1,500	\$ 1,300	\$ 2,800	\$ 314 ⁽³⁾

Source: State Executive Aircraft Logs and Related Travel Vouchers.

Notes:

- ⁽¹⁾ Actual cost of roundtrip commercial aircraft travel from Tallahassee to Orlando by the Secretary on 8/1/2005 and 11/8/2005.
- ⁽²⁾ Actual cost of one-way commercial aircraft travel from Orlando to Tallahassee by the Secretary on 8/14/2005 and 11/20/2005.
- ⁽³⁾ Actual cost of one-way commercial aircraft travel from Ft. Lauderdale to Tallahassee. Quote obtained 10/5/2006.

Such excess costs were largely attributable to the Secretary’s travel as the sole passenger on the State executive aircraft, as well as to the related ferry² flight leg charges incurred.

Further analysis disclosed, as shown on **APPENDIX B**, that during the period April 2005 through April 2006, the Secretary’s State executive aircraft usage totaled \$15,273.68 for 12 trips. Specifically, we noted the following:

- Seven trips (8 flight legs³) totaling \$5,661.67 were a result of the Secretary’s travel as the sole passenger.
- Seven trips (9 flight legs) totaling \$5,529.09 were incurred as a result of the Secretary’s ferry flight aircraft charges.

In response to audit inquiry, Department management stated, “There are circumstances, due to priority and/or scheduling, when the use of State aircraft may be necessary and appropriate, even if more expensive than commercial air transportation and/or less than four travelers.” Department management further responded that “all trips noted . . . were authorized and official state business, even though the mode of transportation in some cases may not have been the most cost efficient.”

¹ Attorney General Advisory Legal Opinions AGO’s 068-12, 075-299, 076-191, 078-97, and 079-105.

² An unoccupied flight for the purpose of returning an aircraft to base, delivering an aircraft from one location to another, or moving an aircraft to and from a maintenance base.

³ A flight leg represents that portion of a trip between the departure and arrival airports. Passenger travel may encompass multiple flight legs.

Department records did not disclose in these instances the specific circumstances, due to priority or scheduling, that necessitated the use of State executive aircraft rather than commercial aircraft.

- Timely Submittal of Travel Vouchers. Although Department procedures⁴ require that a *State of Florida Voucher for Reimbursement of Travel Expenses* (travel voucher) be completed for travel expenses incurred with a purchasing card while in travel status, we noted that significant delays in this process occurred. Specifically, we noted that for 12 of the 55 trips reviewed, the related travel voucher was not timely submitted (e.g., within 30 days of the traveler's return to official headquarters). Of these 12 vouchers, 8 had related purchasing card charges. These vouchers totaled \$9,672 and were submitted from 31 to 244 days after the traveler returned. The Secretary was the traveler on these 12 trips.

Department procedures require the Travel Section within the Bureau of Financial Management Services to compare each travel voucher's charges to corresponding purchasing card travel-related expenditures. However, the Travel Section's review process did not require that all purchasing card travel-related expenditures be traced to a travel voucher. As a result, the Travel Section's review process did not detect the instances in which travel vouchers had not been timely submitted.

- Travel Preaudit Process. Our review of travel by the Department's Secretary and other senior managers also disclosed procedural deficiencies and instances of noncompliance with laws, rules, and other guidelines governing travel that were not detected and corrected through the Department's travel preaudit process. Specifically, we noted the following:
 - Portage costs claimed in excess of allowable amounts, contrary to Department of Financial Services' *Reference Guide for State Expenditures*.
 - Contrary to State law,⁵ reimbursements for meal costs that were included in conference registration fees.
 - Lack of documentation to evidence the reason or need to incur flight change fees.

- Lack of documentation (i.e., agendas and Authorization to Incur Travel Expense forms) to support out-of-State travel and travel to conferences and conventions.
- Lack of documentation to evidence that the method of transportation selected was the most economical available.
- Lack of documentation to evidence the reason or necessity for one traveler's additional lodging expenses charged to the purchasing card subsequent to the conclusion of a conference.
- A travel voucher totaling \$438 showing dates of preparation and approval that were two months prior to the travel dates shown on the voucher. The dates of preparation and approval also preceded the date the traveler was employed by the Department by two months.
- Lack of procedures to monitor employees' accumulation and use of frequent flyer miles (i.e., for personal or State business). Senior managers traveled on official State business and, in some instances, a frequent flyer account number was listed on the invoice receipt submitted to the Department. The Executive Office of the Governor's Code of Ethics states that frequent flyer miles and/or bonus miles awarded to an employee as a result of State-reimbursed travel on or after January 22, 1999, shall not be used for personal use, but must be applied towards other State-required travel of such employee.

The travel voucher preaudit process should ensure that travel-related expenditures are compared to travel vouchers and supporting documentation submitted by the employee, determined to be necessary, and limited to amounts allowed by State law.⁶

- Other Travel-Related Issues. The Secretary is required to, or may choose to, attend various functions as part of his official duties. While reviewing the Secretary's travel vouchers and related source documents, we noted the following:

⁴ Department of Management Services Purchasing Card Program Agency Plan.

⁵ Section 112.061(6)(c), Florida Statutes.

⁶ Section 112.061, Florida Statutes.

Budget

- *Travel diversions.* Flight log data relating to the Secretary’s travel disclosed several trips to Kissimmee, where the Secretary maintains a residence. (See **APPENDIX B**.) The Secretary indicated in discussion with us on August 29, 2006, that some of his trips for authorized and official State business were scheduled around his travel home to Kissimmee to visit family. Since diversions to and from normal flight paths from Tallahassee to the destination cities involve additional flight time and ferry charges, components in the State aircraft billing determination, this practice resulted in additional costs to the State that appear unrelated to official State business and served no authorized State public purpose.
- *Personal rental car usage while on official State business.* We noted instances in which rental car usage appeared to be for personal use; however, such costs did not appear to have been appropriately deducted from the travelers’ travel vouchers. Details relating to the instances were provided to the Department.

Finding No. 2: Budget Transfers

Our audit disclosed transfers of budget authority that exceeded the limits established by State law.⁷ During the 2004-05 fiscal year, the Department transferred budget authority within the Administrative Trust Fund for the Executive Direction and Administration budget entity, Category 04, Expenses, totaling \$173,000, as follows:

**Table 3
Transfers of Budget Authority**

Date of Transfer	Transfer From	Transfer To	Increased Category 04 (Expenses) Budget Authority
03/01/2005	Category 01	Category 04	\$ 70,000
03/10/2005	Category 04	Category 210018	(30,000)
06/03/2005	Category 06	Category 04	40,000
06/03/2005	Category 01	Category 04	95,000
06/30/2005	Category 04	Category 06	(2,000)
Total			\$ 173,000

Source: Department budget amendments.

Contrary to State law, these transfers exceeded the \$150,000 limit by \$23,000. In response to audit inquiry, Department management stated, “it was an oversight on our part . . . the new BARS [Budget Amendment Processing System] has been implemented by OPB [Executive Office of the Governor, Office of Policy and Budget] which now electronically calculates our balances each time a transfer is made which should prevent this type of error in the future.”

Recommendation: The Department should ensure that budget transfers do not exceed the limitations established by law.

Recommendation: To promote compliance with Department procedures, as well as applicable laws, rules, and other guidelines, we recommend that the Department:

- **Encourage adherence to Department policies and procedures governing the use of State aircraft to ensure that the most economical and efficient method of transportation is utilized.**
- **Take appropriate action to ensure travel vouchers are timely prepared and submitted.**
- **Strengthen controls related to the Department’s monitoring process to ensure the Travel Section not only compares the submitted travel vouchers to corresponding travel transactions but also identifies and reviews travel-related transactions for which a travel voucher has not been submitted.**
- **Enhance the travel preaudit process to ensure that travel-related expenditures are necessary and limited to amounts authorized by law.**
- **Address the travel-related issues and determine if reimbursements are due the State.**

⁷ Section 216.292(3)(a), Florida Statutes (2004), limits the transfer between categories of appropriations within a budget entity so that no category of appropriation is increased or decreased by more than 5 percent of the original approved budget or \$150,000, whichever is greater, by all action taken under this subsection.

Invoice Processing

Finding No. 3: Timely Processing of Invoices

State law⁸ requires a State agency to pay an interest penalty to a vendor if payment is not made within 40 days of receipt of the vendor’s invoice and receipt, inspection, and approval of the goods and services. The provisions of law do not apply to amounts that are in dispute or if filing requirements have been waived by the Department of Financial Services.

Our review disclosed that the Department’s procedures did not reasonably ensure that all payments for goods and services were made within the 40-day period. For 11 of 54 invoices tested, vendors were not paid within the above-described 40-day time period. The Department correctly paid interest on 10 of the invoices, but had not paid interest on the remaining item as of the close of our audit field work.

Recommendation: The Department should enhance its procedures to ensure that vendor payments are processed within the time limits established by law.

Personnel

Finding No. 4: Time Sheet Approvals

Department policies and procedures⁹ state that time sheets must be approved upon receipt of the time sheet or no later than 5:30 p.m. Eastern Standard Time on the Friday after the pay period has ended.

Our tests of 68 employee-submitted time sheets and supervisory approvals disclosed the following:

- One time sheet was timely approved; however, because of an error in the hours reported, the time sheet required revision. The time sheet was originally approved on October 7, 2005, and, as of July 5, 2006 (or 271 days after the original approval), the time sheet had not been revised and reapproved. In response to audit inquiry, Department management stated on July 14, 2006,

that the employee “re-submitted her time and her supervisor has now approved it.”

- One time sheet for a terminating employee was approved on July 26, 2005, or 11 days after the approval was due. However, the approval was completed 4 days after the terminated employee’s final salary warrant was issued.
- Twenty time sheets for nine other employees were approved between 3 and 326 days after the approvals were due.

In response to audit inquiry, Department management stated, “we constantly remind our managers to approve time sheets on a timely basis. Although we strive to have all time sheets submitted and approved by the close of business on the Friday after a pay period ends, it does not always happen. We work our missing time sheet reports and provide managers with a list of employees with missing timesheets. The list you submitted were not timely approved due the failure of the managers to perform their duty.”

Timely approval of employee time sheets is necessary to ensure that employees are paid for only the appropriate number of hours and that leave records are accurate and complete.

Recommendation: We recommend that the Department comply with established policies and procedures by ensuring that time sheets are timely approved.

Finding No. 5: Salary Amounts

Department policies and procedures¹⁰ state that justification comments are required for any pay increase that exceeds the employee’s current salary by more than 5 percent. In addition, Department policies and procedures¹¹ state that justification comments are required for any pay-affecting personnel action request (PAR) involving an amount that exceeds the minimum of the pay band by more than 5 percent.

Our audit disclosed that, for 5 of the 10 pay increases reviewed, justification comments were not provided for the PARs granting employees pay increases of more than 5 percent. In response to audit inquiry,

⁸ Section 215.422(3)(b), Florida Statutes.
⁹ People First Policies and Procedures, Section 5.6, Time Sheet Management.

¹⁰ People First Policies and Procedures, Section 3.1, PAR Process.
¹¹ *Ibid.*

Department management stated that “our procedures did specify that justification must be provided in cases where the increase in pay exceeds five percent of the employee’s current salary. In the list of employees you noted, this procedure was not followed.” In addition, our audit disclosed that, for 5 of the 8 new hire starting salaries reviewed, justification comments were not included in the PARs for employees who received starting salaries exceeding the minimum of the pay band by more than 5 percent. In response to audit inquiry, Department management acknowledged that the PARs were processed without the justification for the starting salary being greater than 5 percent.

Documentation to justify salary pay increases and new hire amounts is necessary to ensure the consistent application of established policies and procedures.

Recommendation: We recommend that the Department comply with established policies and procedures by ensuring that justification comments are included in pay-affecting PARs that exceed 5 percent of the employee’s current salary or 5 percent of the minimum of the pay band.

Finding No. 6: Employee Commuting Expenses

During the audit period, the Department hired as an other personal services (OPS) employee an Appraiser Administrator (Administrator). According to Department records, the Administrator was employed in this role by the Department from July 7, 2004, through October 22, 2004, and during this time resided in Stone Mountain, Georgia. Our review of the Department’s employment arrangement with the Administrator disclosed that he received travel reimbursements totaling \$6,870.78 for travel (commuting) between his home in Stone Mountain, Georgia, and his official headquarters in Tallahassee, Florida.

Various provisions and interpretations of State law and rules related to travel prohibit reimbursing employees for commuting expenses between the employees’ home and work.¹² Consequently, the

Administrator was not entitled to these travel reimbursements. State law¹³ generally authorizes reimbursement for travel expenses incurred only for travel away from a traveler’s official headquarters. State law also¹⁴ provides that the official headquarters of an officer or employee assigned to an office shall be the city or town in which the office is located, except that the official headquarters of a person located in the field shall be the city or town nearest to the area where the majority of the person’s work is performed, or such other city, town, or area as may be designated by the agency head provided that in all cases such designation must be in the best interests of the agency and not for convenience of the person.

Subsequent to audit inquiry, the Administrator reimbursed the State for the commuting expenses incurred between Stone Mountain, Georgia, and Tallahassee.

Recommendation: In the future, we recommend that the Department ensure compliance with applicable laws, rules, and other guidelines relating to employee commuting expenses.

System Access

Finding No. 7: Access Controls

The Department’s Bureau of Financial Management Services maintains the Florida Accounting Information Resource Subsystem (FLAIR) Access Control File that enables applicable Department employees to utilize various FLAIR components. We found that the Department had not established adequate procedures to ensure that FLAIR access for terminated employees was timely removed.

We examined FLAIR access records of employees who had terminated employment with the Department. We noted 19 instances in which a terminated employee’s FLAIR access was not timely removed. FLAIR access for 18 of these 19 terminated employees remained active for 47 to 448 days after

¹² Attorney General Advisory Legal Opinion AGO 82-34.

¹³ Section 112.061, Florida Statutes.

¹⁴ Section 112.061(4), Florida Statutes.

termination. For 1 of the 19 terminated employees, FLAIR access had not been removed as of August 31, 2006 (or 335 days after termination). For 9 of the 19 terminated employees, FLAIR access was removed by the Department of Financial Services during its semiannual file purging.

Recommendation: To provide additional assurances regarding the integrity and security of Department accounting records, we recommend that the Department enhance its procedures to ensure the immediate removal of an employee's FLAIR access upon termination.

**Follow-Up on Prior Audit Findings -
People First and
MyFloridaMarketPlace Contracts**

In 2002, the Department commenced two enterprisewide outsourcing projects, People First and MyFloridaMarketPlace. A brief summary of each of these projects follows:

- The 2002 Legislature appropriated funding for the outsourcing of State human resource (HR) services.¹⁵ On August 21, 2002, the Department entered into a seven-year, \$278.6 million contract with the Convergys Customer Management Group, Inc., to provide a Web-based enterprise suite of services to facilitate the management of human capital. The project, People First, was originally projected to save the State \$173.1 million primarily through the avoidance of the cost of replacing the aging personnel system (\$80 million) and reduction of the State's human resources workforce (\$93.1 million). The contract has been amended eight times through February 28, 2006, extending the term to nine years and increasing the contract amount to \$349.9 million. People First is to be funded largely through a human resource assessment to State entities.
- On October 9, 2002, the Department entered into a contract with Accenture, LLP, to outsource the development and operation of a Web-based electronic procurement (eProcurement) system. The 61-month contract provides for the development of an integrated, transaction-oriented, electronic procurement, Internet-based host site developed to facilitate and to effectuate buyer and seller procurement

transactions for the State of Florida. The project, MyFloridaMarketPlace, is structured to be financed entirely through 1-percent transaction fees paid by vendors doing business with the State. The contract, totaling \$92 million, also provides for revenue sharing with the State after Accenture receives its base compensation.

The outsourcing contracts related to the People First and MyFloridaMarketPlace projects were the subject matter of prior audits in 2004 and 2005, respectively.¹⁶ Our prior audit objectives were to determine the appropriateness of Department planning processes supporting the decisions to outsource, evaluate management's compliance with procurement laws and rules, assess the Department contract process, and review contract provisions and deliverables.

Our current audit focused on the adequacy of the corrective actions taken by the Department in response to the findings reported in our prior audits. As described in Finding Nos. 8 and 9 below, we determined that deficiencies relating to tracking of project costs and contract provisions continued to exist.

Finding No. 8: Project Costs

As described below, the Department still cannot identify all costs incurred in connection with the People First and MyFloridaMarketPlace projects:

- For People First, our recommendation for a cost-tracking mechanism was centered on the fact that the justification for outsourcing HR functions was derived in part from the estimated potential cost savings of \$93.1 million provided for in the Department's business plan. We noted in our report that the measurement of actual cost savings attributable to People First could not be determined without a systematic method to track costs. Such measurement would provide information that was both crucial and fundamental to Department managers and other stakeholders in making informed decisions regarding the People First project. While the Department concurred with our finding, our current audit disclosed that the Department still could not identify all People First costs.

¹⁵ Chapter 2002-394, Laws of Florida.

¹⁶ Report Nos. 2005-047 (People First) dated October 2004 and 2005-116 (MyFloridaMarketPlace) dated February 2005.

Although the Department has produced budget estimates depicting the projected savings of the People First project, Department staff indicated that they were not able to identify People First costs on an enterprisewide basis because FLAIR, the State's accounting system, does not provide the data necessary to capture costs across agencies for activities, such as People First. Department staff further indicated that, to summarize all People First costs, it would be necessary to identify at each agency those employees who actually perform People First functions and identify the percentage of their time spent on People First matters. Such a process, according to Department staff, would require funding by the Legislature.

- For MyFloridaMarketPlace, our recommendation for a mechanism to track costs was in response to the assertion that the project would generate savings via reduced costs of goods and services and from process efficiencies resulting from reduced paperwork, overhead, and processing costs. Without a mechanism to capture and track all Statewide costs, the Department is unable to fully measure the success of the outsourcing. The former Deputy Secretary disagreed with our finding and stated that "any costs associated with its implementation deal with training and change management which by their nature are hard to track." No further action was then taken relative to this recommendation.

For State government to measure the success of outsourcing projects, it should develop a methodology that accounts for all costs and resultant savings through the duration of the projects. Such information will be both crucial and fundamental to Department managers and other stakeholders in making future decisions regarding whether to renew or replace the People First and MyFloridaMarketPlace projects or return the functions to the State workforce.

Recommendation: The Department should identify and summarize all costs associated with the People First and MyFloridaMarketPlace projects.

Finding No. 9: Contract Provisions

Although the Department amended the People First contract with Convergys twice¹⁷ since we reported our findings, amendments to remedy the following contract deficiencies noted in our prior audit were not made:

- The contract, which provided that a breach of material obligation under the contract constituted an event of default, did not define the term "material obligation."
- Contract provisions did not identify the State's legal requirements for records retention or identify an appropriate contract deliverable requiring the identification of such records or a methodology to ensure compliance with State records retention requirements.
- The contract did not provide the Department with consent authority over new or changes in subcontractors utilized in the People First contract.
- The contract did not provide for subcontractors to obtain background history checks.

Relating to the subcontracting of services by Convergys, Specific Appropriation 2907 of Chapter 2006-25, Laws of Florida, provides \$500,000 from the General Revenue Fund to the Department to contract for an independent audit of the offshoring of State employee personnel data. Subsequently, a contract was signed by the Department on May 12, 2006, with Navigant Consulting, Inc., to review whether any confidential and personal information of State employees has been compromised or breached as a result of the subcontracting of services by Convergys.

Recommendation: The Department should determine the steps that can be taken to mitigate the contract deficiencies noted. Also, the Department should ensure that all outsourcing contracts have complete and clearly defined clauses and include terms that protect State records and data. Further, the Department should consider whether contract amendments or other action may be needed to address any issues that may be disclosed by the independent review.

¹⁷ October 2005 and January 2006.

Follow-Up on Prior Audit Findings - Surplus Motor Vehicle Auctions

Finding No. 10: Revenue and Cash Receipting Procedures

In audit report No. 2005-035, dated September 2004, we reported that at least \$411,150 related to the Motor Vehicle Operating Trust Fund had not been properly received and accounted for by the Department. The discrepancies related to the auction of surplus motor vehicles by the Department. Subsequent to our discussion of this matter with the Department, the Department suspended the employee responsible for the auction function (the Property Administrator within the Fleet Management Section) on June 21, 2004. On September 23, 2004, the employee was arrested and charged with 20 counts of grand theft, 13 counts of bribery, and 1 count of aggravated white-collar crime. The employee was dismissed by the Department on September 23, 2004, and, as of that date, the criminal charges were still pending.

In audit report No. 2005-035, we also disclosed some internal control deficiencies relating to the duties of the Property Administrator, including a lack of separation of duties, restrictive endorsement of checks immediately upon receipt, and reconciliations. Our current review disclosed that the Department has implemented some procedures to strengthen accountability over the surplus motor vehicle auction function; however, as noted below, additional enhancements should be made:

- The Property Administrator determines whether agency requests to dispose of motor vehicles should be approved based upon equipment replacement criteria. Once approved, the Property Administrator compiles a listing of motor vehicles to be taken to the auction and the vehicles are towed from the agencies to the auction site in Tampa. With the Property Administrator in attendance, auctions are held on the second Saturday of the month. The Property Administrator verifies the accuracy of auction proceeds and expenses, reconciles the amount due from the auctioneer to the amount electronically wired, verifies accuracy of towing expenses, completes the sales report, and calculates the

payments due each agency. However, there was limited evidence of supervisory review of the Property Administrator's work.

- Beginning February 2006, the Bureau of Financial Management Services began reconciling auction sales to proceeds and vehicles approved for disposal to vehicles sold. However, the auction held in October 2004 and the 10 auctions held in April 2005 through January 2006 were not subject to an independent reconciliation.

While actions by the Department have strengthened accountability over this function, we believe that additional enhancements are needed to ensure a proper accounting of the sale of surplus vehicles.

Recommendation: A supervisory review of the Property Administrator's work should be immediately implemented. In addition, the Bureau of Financial Management Services should complete reconciliations of all motor vehicle sales conducted from October 2004 through January 2006.

OBJECTIVES, SCOPE, AND METHODOLOGY

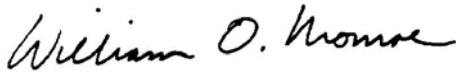
This operational audit focused on internal controls over selected administrative functions of the Department including travel, budget, invoice processing, and personnel, and a follow-up on selected prior audit findings related to the People First and MyFloridaMarketPlace contracts and surplus motor vehicle sales. Our objectives were to:

- Evaluate the effectiveness of established internal controls in achieving management's control objectives in the categories of controlling laws, administrative rules, and other guidelines; the economic and effective operation of State government; the validity and reliability of records and reports; and the safeguarding of assets.
- Evaluate management's performance in achieving compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation of State government; the validity and reliability of records and reports; and the safeguarding of assets.
- Determine whether management has corrected, or is in the process of correcting, deficiencies disclosed in selected prior audit reports (Nos. 2005-035, 2005-047, and 2005-116) for those operating units, programs, activities, functions, and classes of transactions within the scope of audit.

In conducting our audit, we interviewed Department personnel, observed selected operations, tested selected Department records and transactions, and completed various analyses and other procedures. Our audit included examinations of various transactions (as well as events and conditions) occurring during the period July 2004 through February 2006 and selected actions taken through October 31, 2006.

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.



William O. Monroe, CPA
Auditor General

MANAGEMENT RESPONSE

In a response letter dated December 8, 2006, the Secretary concurred with our audit findings and recommendations. The Secretary's response is included in its entirety at the end of this report as **APPENDIX C.**

To promote accountability in government and improvement in government operations, the Auditor General makes operational audits of selected programs, activities, and functions of State agencies. This operational audit was conducted in accordance with applicable **Generally Accepted Government Auditing Standards**. This audit was conducted by Frank Becton, CPA; Clint Boutwell, CPA; and Travis Cone; and supervised by Nancy Tucker, CPA. Please address inquiries regarding this report to Dorothy R. Gilbert, CPA, Audit Manager, via e-mail at dorothygilbert@aud.state.fl.us or by telephone at (850) 488-5444.

This report and other audit reports prepared by the Auditor General can be obtained on our Web site (<http://www.state.fl.us/audgen>); by telephone (850) 487-9024; or by mail (G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450).

APPENDIX A
ABSTRACT OF STATE EXECUTIVE AIRCRAFT LAWS, RULES, POLICIES, AND PROCEDURES

- Section 287.161(1), Florida Statutes, creates within the Department’s Bureau of Aircraft an executive aircraft pool consisting of State-owned aircraft for the purpose of furnishing executive air travel.
- Section 287.17(1), Florida Statutes, specifies that State aircraft are available for official State business only as authorized by agency heads, while Section 287.17(2), Florida Statutes, provides the following two criteria to be considered in determining appropriate use:
 - Whether the use of aircraft is necessary to carry out State official or employee job assignments; and
 - Whether the use of aircraft is for transporting an employee, State official, or other person authorized by the agency head for purposes of conducting official State business or for performing services for the State.
- The State executive aircraft pool consists of three aircraft with the type of aircraft and aircraft charge per flight hour as follows:

Executive Aircraft	Aircraft Charge Per Flight Hour	
	July 1, 2004 - June 30, 2005	July 1, 2005 - Present
King Air 300	\$ 599	\$ 825
King Air 350	\$ 950	\$ 975
Cessna Citation Bravo 104	\$ 950	\$ 1,200

- The aircraft charges or distribution of aircraft expenses made to users within a governmental unit are computed based on a Department formula. Such formula states that if all charges are lawfully payable from public funds, each passenger’s prorated charge should be the result of a fraction whose numerator is the direct costs of aircraft operation and the denominator is the actual number of passengers making the trip.¹⁸ This being the case, the distribution of aircraft costs would significantly decrease per passenger with an increase in the number of passengers.

¹⁸ DMS Rule 60B-4.004, Florida Administrative Code.

**APPENDIX B
EXECUTIVE AIRCRAFT TRAVEL**

1.	Dates of Travel	Destination Provided on Travel Voucher	Reason	Cost of Trip (Note 1)	Amount Traveler Reimbursed (Note 2)	Flight Log Data							
						Dates of State Executive Aircraft Use	Aircraft	Rate	State Executive Aircraft Cost (Note 3)	Traveler/ Ferry	State Executive Aircraft Flights (Note 4)	Flight Length	Number of Passengers Upon Which to Allocate Cost of Flight
1.	April 29-May 2, 2005 Friday - Monday	Tallahassee/Orlando/ Tallahassee	Invited speaker at the 10 th International Conf. on Automated People Movers, May 2nd	\$ 1,382.90	\$ 42.14	04/29/05	KA350	\$ 950.00	\$ 791.67	Traveler	TLH to ISM	0:50	2
						05/02/05	KA300	\$ 599.00	\$ 49.92	Ferry	MCO to ISM	0:05	1
						05/02/05	KA300	\$ 599.00	\$ 499.17	Traveler	ISM to TLH	0:50	1
						\$ 1,340.76							
2.	May 26-June 5, 2005 Thursday - Sunday	Tallahassee/Kissimmee/ Orlando/Tallahassee	Visit State facilities Hurston & McCarty Buildings. Also, attend the Sterling Conference	\$ 3,531.71	\$ 320.03	05/26/05	KA350	\$ 950.00	\$ 791.67	Traveler	TLH to ISM	0:50	1
						05/26/05	KA350	\$ 950.00	\$ 791.67	Ferry	ISM to TLH	0:50	1
						06/05/05	BRAVO	\$ 950.00	\$ 316.67	Ferry	TLH to ORL	0:40	2
						06/05/05	BRAVO	\$ 950.00	\$ 316.67	Traveler	ORL to TLH	0:40	2
						\$ 2,216.68							
3.	June 10-13, 2005 Friday - Monday	Tallahassee/Orlando/ Tallahassee	Tour the McCarty Regional Services Center	\$ 2,823.33	\$ 52.50	06/10/05	BRAVO	\$ 950.00	\$ 712.50	Traveler	TLH to ISM	0:45	1
						06/10/05	BRAVO	\$ 950.00	\$ 633.33	Ferry	ISM to TLH	0:40	1
						06/13/05	BRAVO	\$ 950.00	\$ 712.50	Ferry	TLH to ISM	0:45	1
						06/13/05	BRAVO	\$ 950.00	\$ 712.50	Traveler	ISM to TLH	0:45	1
												\$ 2,770.83	
4.	June 16-20, 2005 Thursday - Monday	Tallahassee/Orlando/ Kissimmee/Tallahassee	Visit State facilities; make site visit	\$ 1,555.92	\$ 83.89	06/16/05	BRAVO	\$ 950.00	\$ 475.00	Traveler	TLH to OCF	0:30	1
						06/16/05	BRAVO	\$ 950.00	\$ 475.00	Ferry	OCF to TLH	0:30	1
						06/20/05	KA350	\$ 950.00	\$ 395.83	Traveler	ORL to TLH	0:50	2
						\$ 1,345.83							
5.	June 30-July 12, 2005 Thursday - Tuesday	Tallahassee/Orlando/ Tallahassee	Met with Ed Hunzeker of Osceola City. Manager re: MFMP	\$ 1,182.61	\$ 157.97	06/30/05	BRAVO	\$ 950.00	\$ 475.00	Traveler	TLH to ORL	1:00	2
						06/30/05	BRAVO	\$ 950.00	\$ 158.33	Traveler	ORL to ISM	0:10	1
						06/30/05	BRAVO	\$ 950.00	\$ 356.25	Ferry	ISM to TLH	0:45	2
						\$ 989.58							
6.	November 3, 2005 Thursday	Tallahassee/Panama City/ Tallahassee	Tour Bay Correctional Institution	\$ 114.64	\$ 4.64	11/03/05	KA300	\$ 825.00	\$ 55.00	Traveler	TLH to PFN	0:20	5
						11/03/05	KA300	\$ 825.00	\$ 55.00	Traveler	PFN to TLH	0:20	5
						\$ 110.00							
7.	November 17-20, 2005 Thursday - Sunday	Tallahassee/Orlando/ Tallahassee	Matchmaker Conference	\$ 1,949.09	\$ 67.14	11/17/05	KA350	\$ 975.00	\$ 812.50	Traveler	TLH to ISM	0:50	1
						11/17/05	KA350	\$ 975.00	\$ 893.75	Ferry	ISM to TLH	0:55	1
						\$ 1,706.25							
8.	December 12-13, 2005 Monday - Tuesday	Orlando/Ft. Lauderdale/ Tallahassee	AeT Task Force Mtg.	\$ 3,304.58	\$ 54.64	12/13/05	BRAVO	\$ 1,200.00	\$ 1,300.00	Ferry	TLH to FLL	1:05	1
						12/13/05	BRAVO	\$ 1,200.00	\$ 1,500.00	Traveler	FLL to TLH	1:15	1
						\$ 2,800.00							
9.	March 8, 2006 Wednesday	Tallahassee/Ocala/ Jacksonville/Ocala/ Tallahassee	Meeting with Convergys	\$ 210.89	\$ 4.64	03/08/06	KA300	\$ 825.00	\$ 91.67	Traveler	OCF to CRG	0:20	3
						03/08/06	KA300	\$ 825.00	\$ 114.58	Traveler	CRG to OCF	0:25	3
						\$ 206.25							
10.	March 23-26, 2006 Thursday - Sunday	Tallahassee/Lakeland/ Ocala/Tallahassee	Tour Lakeland Regional Service Center	\$ 523.11	\$ 51.62	03/23/06	KA300	\$ 825.00	\$ 343.75	Traveler	TLH to LAL	0:50	2
						03/23/06	KA300	\$ 825.00	\$ 103.13	Traveler	LAL to ISM	0:15	2
						\$ 446.88							
11.	March 31, 2006 Friday	Tallahassee/ West Palm Beach/ Tallahassee	TOD Working Group Mtg.	\$ 817.14	\$ 4.64	03/31/06	KA350	\$ 975.00	\$ 406.25	Traveler	TLH to PBI	1:15	3
						03/31/06	KA350	\$ 975.00	\$ 406.25	Traveler	PBI to TLH	1:15	3
						\$ 812.50							
12.	April 25, 2006 Tuesday	Tallahassee/Lake City/ Tallahassee	Tour Lake City Correctional Institute & Columbia County Correctional Institute	\$ 528.12	\$ 4.64	04/25/06	KA350	\$ 975.00	\$ 284.37	Traveler	TLH to LCQ	0:35	2
						04/25/06	KA350	\$ 975.00	\$ 243.75	Traveler	LCQ to TLH	0:30	2
						\$ 528.12							
				\$ 17,924.04	\$ 848.49								
						\$ 15,273.68 Total							

Notes:

1: Total costs may include lodging, car rental, etc.

\$ 5,661.67 Sole Traveler

2: Amount traveler reimbursed may include per diem, meals, map and vicinity mileage, etc.

\$ 4,082.92 Other Passengers

\$ 5,529.09 Ferry Flight Charges

3: Includes only State executive aircraft use.

4: Airport Codes:

- OCF = Ocala
- ISM = Kissimmee
- ORL = Orlando Executive Airport
- LAL = Lakeland, Linder Regional Airport
- LCQ = Lake City
- CRG = Jacksonville Municipal, Craig Airport
- TLH = Tallahassee Regional Airport
- FLL = Ft. Lauderdale - Hollywood International Airport
- MIA = Miami International Airport
- MCO = Orlando International Airport
- PFN = Panama City - Bay County International Airport
- PBI = Palm Beach International Airport

APPENDIX C
MANAGEMENT RESPONSE



DEPARTMENT OF MANAGEMENT
SERVICES

“We serve those who
serve Florida”

JEB BUSH
Governor

Tom Lewis, Jr.
Secretary



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December 8, 2006

Mr. William O. Monroe, CPA
Auditor General
G74 Office of the Auditor General
Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Mr. Monroe:

The Department of Management Services (DMS) has made tremendous progress in moving our programs forward and improving our operational efficiency. The DMS Team has demonstrated a commitment to integrity and high ethical standards and will continue to ensure accountability and service excellence within every program and at every level of our organization. We appreciate your time and effort. Your feedback has helped us identify opportunities to further improve our business processes.

Pursuant to Section 11.45(4)(d), Florida Statutes, following is our response to the preliminary and tentative audit findings and recommendations related to your Operational Audit of the *Department of Management Services, Selected Administrative Functions and Follow-up on Selected Prior Audit Findings, For the Period July 2004 Through February 2006, and Selected Department Actions Taken Through October 31, 2006*. The response corresponds with the order of your preliminary and tentative audit findings and recommendations.

Finding No. 1: Travel Expenditures and Controls

Contrary to the requirements of laws, rules, Department procedures, and other guidelines, the Department’s Secretary and other senior managers did not always utilize the most economical and efficient means of travel. Other instances were also noted in which travel expenditures did not conform to the requirements of law and rule.

Recommendation 1:

To promote compliance with Department procedures, as well as applicable laws, rules, and other guidelines, we recommend that the Department:

- a. Encourage adherence to Department policies and procedures governing the use of State aircraft to ensure that the most economical and efficient method of transportation is utilized.
- b. Take appropriate action to ensure travel vouchers are timely prepared and submitted.

APPENDIX C
MANAGEMENT RESPONSE (CONTINUED)

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- c. Strengthen controls related to the Department's monitoring process to ensure the Travel Section not only compares the submitted travel vouchers to corresponding travel transactions but also identifies and reviews travel-related transactions for which a travel voucher has not been submitted.
- d. Enhance the travel pre-audit process to ensure that travel-related expenditures are necessary and limited to amounts authorized by law.
- e. Address the travel-related issues and determine if reimbursements are due the State.

Response:

Concur: All the trips audited were official, necessary and authorized state business and due to priority, scheduling and/or geography the mode of transportation was reasonable and efficient, even though the most economical mode of transportation was not used on all the trips audited. DMS has a new procedure in place that requires a specific written evaluation of cost-effectiveness and overriding considerations, if any, be signed by the DMS Chief of Staff prior to any employee's use of State aircraft.

The following summarizes the authorized public purpose for each trip in Appendix B:

Trip 1: DMS oversees the operation, maintenance and security of the State aircraft program. New to DMS, the Secretary accompanied the Director of the Division of Specialized Services, Bureau of Aircraft Management, on a training flight to evaluate the program operation. As noted in our August 31, 2006 memorandum, the Secretary disembarked in Orlando to make a presentation at a conference; therefore, the cost for the remainder of Trip 1 was improperly attributed to the Secretary.

Trip 2, 3 and 4: DMS manages more than 8 million square feet of state-owned office space. Appointed to lead DMS in part because of his extensive real estate experience, the Secretary has made it a priority to visit DMS-managed facilities statewide to evaluate firsthand the use, needs and efficiency of each facility and to personally meet the staff. For Trip 2, the Secretary also attended a conference and met with a proposed appointee who was eventually appointed to a task force which the Secretary chaired.

Trip 5: The Secretary met with the Osecola County Manager as part of an effort to assess local government use and satisfaction with DMS-administered state term contracts and their potential use of MyFloridaMarketPlace, the DMS-managed e-procurement system.

Trip 6: DMS is responsible for contract oversight of five private prisons statewide, and the Secretary has made it a priority to observe facility operation and security firsthand. On this trip, the Secretary toured the Bay Correctional Institution, a private prison under contract with DMS.

Trip 7: The Matchmaker Conference is an annual statewide forum promoting diversity in state government spending hosted by the DMS Office of Supplier Diversity (OSD). As the agency head for DMS, the Secretary represented the agency and the Governor at the conference and presented the annual OSD awards.

Trip 8: The Secretary chaired the Governor's AeIT (Accessible Electronic and Information Technology) Task Force and traveled to Orlando for one of several meetings statewide to gather stakeholder input and public comment into ways to make the state's electronic systems more accessible to persons with disabilities.

APPENDIX C
MANAGEMENT RESPONSE (CONTINUED)

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Trip 9: While the Secretary was on annual leave, an emergency meeting with top Convergys leadership was necessary to address the emerging People First off-shoring issue. To facilitate participation of all necessary parties, the meeting was held at Convergys headquarters in Jacksonville, and State aircraft was used to expedite the travel of DMS staff and the Secretary to the meeting.

Trip 10: The Secretary toured the DMS-managed Lakeland Regional Service Center, and met with tenants and agency staff to discuss facility operation and security.

Trip 11: The Transit-Oriented Development (TOD) Working Group is a consortium of state agencies and community partners that are working together to develop a new Department of Health (DOH) county health department facility in conjunction with a proposed transit-oriented development in West Palm Beach. As the agency responsible for the state's real estate development and management initiatives and at the request of the DOH Secretary, DMS is serving as the real estate consultant on the project for the Department of Health, and the Secretary is the lead advisor.

Trip 12: The Secretary toured the Lake City Correctional Institution, a private prison under contract with DMS, and the Columbia County Correctional Institution, a Department of Corrections facility in the same area.

DMS agrees that additional training and documentation are necessary to promote compliance with established travel policies and procedures and to provide supplemental pre- and post-audit verification. The following summarizes the actions DMS is taking, corresponding with Recommendation 1:

- a. As mentioned previously, to ensure that the rationale for use of State aircraft is fully documented, DMS has amended its travel policy to now require, except in emergency situations, that a written cost-benefit analysis be conducted, be signed by all travelers and be approved by the Chief of Staff prior to use of State aircraft. The analysis must be attached to the travel voucher for audit reference.
- b. To ensure travel vouchers are timely prepared and submitted and to promote awareness, understanding and adherence with other established travel policies and procedures, all DMS managers (Bureau Chief/equivalent level and above) and travel coordinators are required to complete a travel re-training course by February 28, 2007. In addition, the position description and the performance evaluation requirements for all DMS managers are being revised to include standards for compliance with established travel policies and procedures; the update will be complete by March 5, 2007. DMS travel policies have been posted to the Team DMS (employee) Web site, and travel policy tips/announcements are being routinely posted on the Web site to keep travel policies top-of-mind. As referenced in "c" below, the DMS Bureau of Financial Management is also reviewing p-card expenditures to ensure a travel voucher is timely submitted for all travel-related p-card purchases.
- c. To strengthen travel monitoring controls, the DMS Bureau of Financial Management travel auditor and p-card auditor are now conducting a joint, weekly review of p-card expenditures to proactively identify all travel-related expenditures and ensure that a travel voucher is submitted. A written policy reminder has also been issued to all DMS travel coordinators and p-card coordinators advising that a travel voucher is required for all travel-related p-card purchases.

APPENDIX C
MANAGEMENT RESPONSE (CONTINUED)

Mr. William O. Monroe, CPA
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- d. To enhance the travel pre-audit process, a new travel expenditures checklist is being developed, is being incorporated into the curriculum for the travel re-training course required of all DMS managers and travel coordinators, and will be fully implemented by March 5, 2007. As a supplemental quality assurance measure, the DMS Bureau of Financial Management is conducting a quarterly, random sample audit of travel vouchers to monitor compliance with DMS policy.
- e. DMS has re-reviewed all travel sampled for the audit, and as appropriate, DMS staff has reimbursed the State for the expenditures in question. All sampled travel to the Kissimmee/Orlando area was reviewed and verified as official, necessary and authorized state business, prior to travel and upon payment of travel, by the DMS Director of Administration.

Finding No. 2: Budget Transfers

For the expenses category, Department transfers of budget authority exceeded the limits established by law by \$23,000 for the Executive Direction and Administration budget entity.

Recommendation 2: The Department should ensure that budget transfers do not exceed the limitations established by law.

Response:

Concur: The DMS Office of Planning and Budget has an excellent quality assurance track-record. This error was isolated and was the result of human error. The Executive Office of the Governor, Office of Policy and Budget, has since implemented a Budget Amendment Processing System (BAPS) which electronically calculates the budget balance with each transfer, providing additional safeguards against this type of human error occurring in the future.

Finding No. 3: Timely Processing of Invoices

Department procedures did not reasonably ensure that all payments for goods and services were made within the time limits established by law.

Recommendation 3:

The Department should enhance its procedures to ensure that vendor payments are processed within the time limits established by law.

Response:

Concur: Timely processing of vendor payments is paramount. All DMS budget/finance coordinators were required to participate in a July 2006 budget workshop during which the timely processing of invoices was discussed in detail. To further improve the timely processing of invoices, the DMS Bureau of Financial Management Services is generating a new internal report every 10 days to proactively identify and work aging invoices.

APPENDIX C
MANAGEMENT RESPONSE (CONTINUED)

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Finding No. 4: Time Sheet Approvals

Contrary to established Department policies and procedures, some time sheets were not timely approved.

Recommendation 4:

That the Department comply with established policies and procedures by ensuring that time sheets are timely approved.

Response:

Concur: All DMS employees are receiving an electronic, monthly reminder to timely submit their timesheets, and DMS Deputy Secretaries and Directors are provided a monthly report of all outstanding timesheets. In addition, the position description and the performance evaluation requirements for all DMS managers (Bureau Chief/equivalent level and above) are being revised to include standards for compliance with timesheet policies; the update will be complete by March 5, 2007.

Finding No. 5: Salary Amounts

Justification comments were not provided for some pay-affecting personnel action requests exceeding 5 percent of the employee's current salary or 5 percent of the minimum of the pay band, contrary to Department policies and procedures.

Recommendation 5:

That the Department comply with established policies and procedures by ensuring that justification comments are included in pay-affecting PARs that exceed 5 percent of the employee's current salary or 5 percent of the minimum of the pay band.

Response:

Concur: To ensure PARs are properly prepared, all DMS managers (Bureau Chief/equivalent level and above) and PAR liaisons are required to complete a personnel policies and procedures re-training course by February 28, 2007. In addition, the position description and the performance evaluation requirements for all DMS managers are being revised to include standards for compliance with established personnel policies and procedures; the update will be complete by March 5, 2007. DMS is also amending its Personnel Action Requests (PARs) routing matrix to require the DMS Office of Planning and Budget and DMS Personnel Office to approve all PARs for new hires and pay actions to ensure inclusion of sufficient hiring/pay justification and compliance with DMS personnel policies and procedures; this update will be complete by March 5, 2007.

Finding No. 6: Employee Commuting Expenses

Travel reimbursements for employee commuting, totaling \$6,871, and not authorized for reimbursement pursuant to Section 112.061, Florida Statutes, were paid to an other personal services (OPS) employee.

APPENDIX C
MANAGEMENT RESPONSE (CONTINUED)

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Recommendation 6:

That the Department ensure compliance with applicable laws, rules, and other guidelines relating to employee commuting expenses.

Response:

Concur: According to the Department of Financial Services, it is permissible to reimburse an employee for cost of travel from their designated headquarters to Tallahassee, if the employee's designated headquarters is determined and documented, in their position description, to be somewhere other than Tallahassee. To ensure awareness, understanding and adherence with this policy, the travel re-training courses required of all DMS managers (Bureau Chief/equivalent level and above) and travel coordinators by February 28, 2007 will include instruction on this policy. In the case cited, DMS did not properly document the employee's "designated headquarters" as anywhere other than Tallahassee; therefore, the employee reimbursed the State \$6,795.78 for related travel expenses. The \$75.22 balance was not related to this policy, was appropriate and therefore was not subject to reimbursement to the State.

Finding No. 7: Access Controls

The Department did not timely remove Florida Accounting Information Resource Subsystem (FLAIR) access for terminated employees.

Recommendation 7:

To provide additional assurances regarding the integrity and security of Department accounting records, we recommend that the Department enhance its procedures to ensure the immediate removal of an employee's FLAIR access upon termination.

Response:

Concur: DMS is updating its procedures to require the supervising DMS Director to sign a new separation checklist, acknowledging that access to all the State's systems has been terminated, upon termination of an employee. The personnel policies and procedures re-training course required of all DMS managers (Bureau Chief/equivalent level and above) and PAR coordinators will include instruction on the policy and checklist. The re-training and new checklist will be implemented by March 5, 2007. As a supplemental quality control measure, the DMS Bureau of Financial Management is also conducting a quarterly audit to proactively verify that access to the State's financial systems has been terminated for separated employees.

Finding 8: Project Costs

The Department still cannot identify all costs incurred in connection with the People First and MyFloridaMarketPlace projects.

Recommendation 8:

The Department should identify and summarize all costs associated with the People First and MyFloridaMarketPlace projects.

APPENDIX C
MANAGEMENT RESPONSE (CONTINUED)

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Response:

Concur: DMS agrees that a methodology for identifying the costs of state programs is an important measure of success and for making future decisions. DMS has developed a cost methodology and reported the costs of the major elements of People First in response to Auditor General Report 2005-47, including contract appropriations, amendments, COPES costs, agency recurring reductions and other miscellaneous expenses. However, as OPPAGA recognized in Report No 06-39, DMS does not have direct access to individual agency costs and therefore cannot accurately identify enterprise-wide costs associated with People First without authority and resources from the Legislature. Upon direction and allocation of resources from the Legislature, DMS will timely identify and report all People First costs pursuant to the Legislature's directive. Likewise, DMS does not have the authority and resources, but will timely identify and report all MyFloridaMarketplace costs, upon receiving the necessary direction and resources from the Legislature.

Finding No. 9: Contract Provisions

Although the Department amended the People First contract with Convergys twice since we reported our findings, amendments to remedy the following contract deficiencies noted in our prior audit were not made.

Recommendation No. 9:

The Department should determine the steps that can be taken to mitigate the contract deficiencies noted. Also, the Department should ensure that all outsourcing contracts have complete and clearly defined clauses and include terms that protect State records and data. Further, the Department should consider whether contract amendments or other action may be needed to address any issues that may be disclosed by the independent review.

Response:

Concur: DMS has been actively working over the last 18 months to mitigate the contract deficiencies cited by the Auditor General. The business process requiring subcontractor background checks was implemented in October 2005. The business process requiring DMS consent over subcontractors was implemented in September 2006. DMS is working cooperatively with the Attorney General to codify both of these provisions, in addition to the definition of material obligation/event of default and a number of other contractual issues, through a contract amendment that is subject to ongoing mediation with the contractor. The records retention schedule is set by the Department of State; the current contract already requires compliance with all state laws and therefore requires compliance with the schedule set by the Department of State.

Finding No. 10: Revenue and Cash Receipting Procedures

In audit report No. 2005-035, we reported that at least \$411,150 related to the Motor Vehicle Operating Trust Fund had not been properly received and accounted for by the Department. In addition, we described some internal control deficiencies relating to the duties of the Property Administrator. Although the Department has implemented some procedures to strengthen accountability over the surplus motor vehicle auction function, additional enhancements are needed to ensure a proper accounting of auction proceeds.

APPENDIX C
MANAGEMENT RESPONSE (CONTINUED)

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Recommendation 10:

A supervisor review of the Property Administrator's work should be immediately implemented. In addition, the Bureau of Financial Management Services should complete reconciliations of all motor vehicle sales conducted from October 2004 through January 2006.

Response

Concur: DMS has implemented an aggressive series of internal controls over the surplus motor vehicle and equipment auction process. Actions include:

- Separation of duties
- Reconciliations of auction proceeds by the Bureau
- Reconciliations of auction proceeds by the Bureau of Financial Management Services
- Electronic transmission of auction proceeds
- Restrictive endorsement of proceeds not received electronically

The audit did not identify any breaches in the process or facts to support the need for additional supervisory review; however, in the future, periodic supervisory reviews will be conducted to verify the accuracy of reconciliations.

Reconciliations of motor vehicle sales were conducted for October 2004 through January 2006 by the DMS Bureau of Motor Vehicles and Watercraft Management; however, the DMS Bureau of Financial Management Services will conduct reconciliations of selected vehicle auctions for the same period to ensure the accuracy of the reconciliations previously performed by the Bureau.

Maintaining the integrity and high ethical standards of the Department of Management Services remains my highest priority. Once again, I appreciate your observations and recommendations. I am proud of the DMS Team. We remain committed to continued quality improvement in all we do.

If further information is needed, please call Steve Rumph, Inspector General, at 488-5285.

Sincerely,



Tom Lewis, Jr.
Secretary

cc: Colleen Englert, Chief of Staff, Department of Management Services
Tom Clemons, Director of Administrative Services, Department of Management Services
Lee Ann Korst, Deputy Secretary, Department of Management Services
Ken Granger, Deputy Secretary, Department of Management Services
Rosalyn Ingram, Director of Specialized Services, Department of Management Services
Josh Yaffin, MFMP Project Manager, Department of Management Services
David DiSalvo, People First Project Manager, Department of Management Services

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