



# AUDITOR GENERAL

## WILLIAM O. MONROE, CPA



### DEPARTMENT OF EDUCATION

### Operational Audit

#### SUMMARY

Our audit of the Department of Education for the year ended December 31, 2005, including selected Department actions through September 30, 2006, disclosed the following:

**Finding No. 1:** Inconsistencies were noted between the Department's organizational structure and applicable State requirements. We also noted that the Department did not always obtain the approval of the Executive Office of the Governor prior to making changes in its organizational structure, as appropriate.

**Finding No. 2:** The Department did not maintain a master list of its cash collection locations; maintain cash collection procedures by location; or periodically review its cash collection practices.

**Finding No. 3:** The Department did not submit information concerning its clearing accounts, revolving funds, and banking service contracts to the Department of Financial Services (DFS), as required. Subsequent to our inquiries, the Department submitted the required information.

**Finding No. 4:** The Department did not update its motor vehicle usage data in the Equipment Management Information System in a consistent and timely manner, and the supporting *Motor Vehicle Reports* were not always accurate and complete.

**Finding No. 5:** The Department's policies and procedures for acquiring and using cellular telephones (cell phones) did not provide for adequate monitoring of cell phone usage. Also, the Department did not confer with the Department of Financial Services to report to the Internal Revenue Service the value of cell phone

services as income for employees who did not make an adequate accounting of the business use of their assigned cell phones. Subsequent to our inquiries, the Department contacted DFS to initiate discussion of this issue.

**Finding No. 6:** The Department did not promptly revoke access to the Florida Accounting Information Resource Subsystem for 19 ex-employees.

**Finding No. 7:** The Department did not provide school districts and community colleges all the information needed to accurately reflect State Board of Education bond transactions in their 2005-06 financial statements in accordance with generally accepted accounting principles. Subsequent to our inquiries, the Department provided the needed SBE bond information to the district school boards and community colleges concerned.

**Finding No. 8:** The Department did not require certifications from community colleges' direct support organizations regarding the deposit of local matching funds for the Community College Facility Enhancement Challenge Grant Program.

#### BACKGROUND

The Florida Department of Education (DOE) is responsible for public education in the State of Florida under the direction of the State Board of Education, pursuant to Section 1001.20(1), Florida Statutes. DOE is also responsible for providing professional leadership and guidance in carrying out education policies, procedures, and duties authorized by law, by the State Board of Education, and as necessary to attain the purposes and objectives of the Florida K-20

Education Code, Chapters 1000 through 1013, Florida Statutes.

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## FINDINGS AND RECOMMENDATIONS

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### Finding No. 1: Organizational Structure

Section 20.04, Florida Statutes, provides that the Department be internally structured using standard terms such as divisions, bureaus, and sections. Section 20.04(8), Florida Statutes, provides that the Executive Office of the Governor must maintain a current organizational chart of each agency of the executive branch, which must identify all divisions, bureaus, units, and subunits of the agency.

Our review of the Department's July 1, 2006, organizational chart disclosed the following:

- The organizational units shown on the organizational chart (chart) did not always clearly reflect their status as a division, bureau, or section. For example, the chart showed six organizational units at the division level, but the chart's subsequent pages identified two additional divisions. The chart's front page showed these two additional "divisions" at either the bureau or section level. Additionally, in some cases, position titles were used on the chart instead of organizational unit titles.
- The division titles shown on the organizational chart were inconsistent, in some cases, with the divisions authorized by Statute.
- Section 1000.05, Florida Statutes, specifies certain functions to be assigned to an Office of Equal Educational Opportunity. However, the Department did not show this office on its organizational chart. Management advised us that the statutorily required functions of this office were assigned to its Office of Equity and Access.
- Section 1001.20(4), Florida Statutes, specifies that the Department shall establish the following offices within the Office of the Commissioner of Education: the Office of Technology and Information Services; the Office of Workforce and Economic Development; the Office of Educational Facilities and SMART Schools Clearinghouse; the Office of Student Financial Assistance;

and the Office of the Inspector General. However, the Department had not established the required offices within the Office of the Commissioner of Education. Instead, the Department had organizational units called Governmental Relations; Equity and Access; Independent Education and Parent Choice; Strategic Initiatives; Early Learning; Just Read, Florida!; Communications; and the Citizen Information Center. Additionally, the organizational chart showed Workforce and Economic Development under the Chancellor of Community Colleges; and Student Financial Assistance and Educational Facilities under the Chief Education Financial Officer.

- Section 1001.21, Florida Statutes, establishes an Office of Private Schools and Home Education Programs. However, the Department did not show this office on its organizational chart. Management advised us that the functions for this office had been placed in Independent Education and Parent Choice within the Office of the Commissioner.

As described above, the Department's organizational chart did not accurately depict its organizational structure, as provided for in law.

Our audit also disclosed one instance where the Department changed its organizational structure prior to obtaining the recommendation of the Department of Management Services (DMS) and approval of the Executive Office of the Governor (EOG), as required.<sup>1</sup>

- In 2005, the Department made various changes affecting the structure and personnel assignments within two organizational units: the Division of Community Colleges and Workforce and Economic Development. Most of the requested changes have been implemented and most of the affected staff

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<sup>1</sup>Section 20.04(7)(b), Florida Statutes, provides that a department head may recommend the establishment of additional divisions or other organizational units. These additional divisions or other units may be initiated and established only after recommendation by DMS and approval by EOG, or may be established by specific statutory enactment. Additionally, DMS Rule 60L-31.004, Florida Administrative Code, provides that "if Office of Policy and Budget approval is required to effect a classification action, the employing agency shall not effect the classification action until the required approval has been obtained."

members have assumed the responsibilities and titles requested. For example, a new office called Workforce Education was established and the Commission for Independent Education was moved to Workforce Education from the Office of Accountability, Research, and Measurement. Also, a new section called Budget and Accountability was established within Workforce Education. We noted that the Department's request to DMS for approval of these changes on May 18, 2005 (amended June 10, 2005), was part of a larger reorganization request that was withdrawn by the Department on August 3, 2005. However, a subsequent, modified request had not been submitted to DMS and, consequently, was not approved by EOG.

The reliability of budget and program analysis may be compromised if the Department's established organizational structure is inconsistent with State requirements and EOG approval.

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**Recommendation:** The Department should ensure that its organizational structure is consistent with State requirements and that organizational changes are initiated and established only when recommended by DMS and approved by EOG, as appropriate.

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***Follow-up to Management Response***

*The Commissioner, in his response to this finding, states that the changes in the Department's organization structure cited for inconsistency with statutory requirements were approved by DMS and EOG. Although the Commissioner's statements are factual, Section 20.04(7)(a), Florida Statutes, states that "unless specifically authorized by law, the head of a department may not reallocate duties and functions specifically assigned by law to a specific unit of the department." We are unaware of any provision of law that specifically authorizes the Commissioner to make changes in the Department's organization structure that are inconsistent with statutory requirements, notwithstanding the approval of those changes by DMS and EOG.*

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**Finding No. 2: Cash Collection Locations**

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The Department has various office locations within its Tallahassee headquarters and around the State that

collect and receive cash (i.e., currency, coins, and checks) for a variety of purposes, including fee collections, payments for goods and services, and refunds. However, the Department did not maintain a master list of these locations and did not periodically review its cash collection practices used at those locations. We also noted that the Department had written cash collection procedures for only the Comptroller's office in Tallahassee (last revised 10/98).

Absent written procedures and identification of its cash collection locations, the Department's control over the collection and receipt of cash is limited, increasing the risk that errors, theft, or fraud could occur and not be timely detected. Additionally, written policies and procedures serve to communicate management's commitment to, and support of, a strong system of internal control and also help ensure appropriate training of new staff and provide an aid in bridging the transition in the event of a change in personnel.

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**Recommendation:** The Department should develop and maintain a master list of its cash collection locations; establish detailed written cash collection procedures; and periodically review the cash-handling practices at those locations.

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**Finding No. 3: Submission of Information to the Department of Financial Services**

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The Department did not submit the following required information to the Department of Financial Services (DFS):

- Quarterly statements for calendar year 2005 listing each of the Department's clearing accounts and revolving funds, and their respective cash balances, pursuant to Section 17.58(4), Florida Statutes. The Department was unable to determine if these statements had been provided to DFS in previous years. DFS staff advised us that no statements had been provided for the previous three years, but could not confirm beyond that time. DFS uses the information contained in the statements to show the sum total of State

funds in clearing accounts and revolving funds in its monthly statement to the Governor.

- An annual list of the Department’s existing banking service contracts, including a brief description of the related services performed, and the contracts’ expiration dates, pursuant to Department of Financial Services Rule 69C-9.005, Florida Administrative Code. The Department was unable to determine if these annual lists had been provided to DFS in previous years. DFS staff advised us that no lists had been provided for the previous three years, but could not confirm beyond that time. DFS uses this information to develop specifications for bids and request for proposals related to banking contracts.

Subsequent to our inquiries, the Department submitted the required 2006 information to DFS.

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**Recommendation: The Department should ensure that required information is submitted to DFS on a timely basis.**

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**Finding No. 4: Motor Vehicle Recordkeeping**

The Department operated 29 motor vehicles during calendar year 2005: 18 vans, 7 trucks, and 4 cars. The vehicles were located throughout the State: 10 in Daytona Beach; 10 in Tallahassee; and 1 each in Bradenton, Ft. Lauderdale, Ft. Meyers, Gainesville, Lakeland, Orlando, Panama City, Tampa, and West Palm Beach. The vans were primarily used to transport clients of the Division of Blind Services, and the trucks and cars were used for a variety of purposes.

The Department of Management Services (DMS) has established the Equipment Management Information System (EMIS) to assist State agencies in the management of motor vehicles and watercraft. EMIS is designed to maintain and provide information about the condition, utilization, cost, fuel consumption, maintenance, and assignment of motor vehicles and watercraft owned, leased, or operated by State agencies. Agencies are responsible for entering their motor vehicle data into EMIS on a timely basis.

The Department’s *General Services Vehicle Procedures* require the completion of a *Monthly Vehicle Report* (hereafter called travel report) which has pre-printed areas to document the date of each trip, the trip’s origin and destination, the initials of the employee who used the vehicle, beginning and ending odometer readings, and the vehicle’s operating costs. The travel report is the source document for the data entered by the Department into EMIS.

Our audit disclosed exceptions involving the Department’s updating of EMIS, as follows:

- No data for calendar year 2005 was entered into EMIS for 2 vehicles, and 26 other vehicles had no data entered for 1 to 11 months. The only vehicle with complete data in EMIS was in operation for two months during 2005.
- The costs and mileage in EMIS for 13 vehicles did not agree with the supporting travel reports. The EMIS figures ranged from \$174 lower to \$163 higher, and from 9,906 miles lower to 8,515 miles higher, than those recorded in the travel reports. Specific examples included: (1) fuel costs for one vehicle in February 2005 were zero in EMIS and \$175 on the travel report; (2) the mileage for one vehicle in March 2005 was 25,487 miles in EMIS and 16,878 miles on the travel report; and (3) operating costs for one vehicle in December 2005 were \$430 in EMIS and \$267 on the travel report.

Our audit also disclosed exceptions involving the Department’s travel reports, as follows:

- The travel reports did not have pre-printed areas to document the full name of the employee assigned the vehicle; the public purpose of the trip; and supervisory review and approval. Absent such documentation, the Department’s ability to show that vehicles were used only for appropriately authorized public purposes was limited.
- The travel reports for seven Tallahassee-based vehicles for calendar year 2005 were missing and could not be located.
- Discrepancies were noted between the ending mileage figures for certain trips or months and the beginning mileage figures for the next succeeding trips or months. We noted 38

such instances, involving 14 vehicles, and mileage differences ranging from 1 to 134 miles.

- Reported fuel and maintenance costs were not always supported by receipts, as required by the Department's *General Services Vehicle Procedures*. We noted that 50 receipts supporting costs of \$1,821 for 12 vehicles were missing and could not be located.
- Fuel and maintenance costs were not always reported, as required by the Department's *General Services Vehicle Procedures*. We noted that 29 receipts supporting costs of \$1,101 for 5 vehicles were not recorded on the vehicles' travel reports.
- Discrepancies were noted for three trips using a Tallahassee-based van. We noted that the fuel receipts for these trips were from gas stations located outside the trips' reported travel areas, as follows: the fuel for a reported trip within the Tallahassee vicinity on January 5, 2005, was purchased in Gainesville; the fuel for a reported trip within Leon County on September 1, 2005, was purchased in Jefferson County; and the fuel for a reported trip within the Tallahassee city limits on September 28, 2005, was purchased in Monticello.

Inaccurate or incomplete travel reports may hamper management's ability to accurately update EMIS and determine whether motor vehicles have been appropriately assigned within the Department and operated in a cost-effective manner.

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**Recommendation:** The Department should ensure that motor vehicle data is timely entered into EMIS, and the supporting *Monthly Vehicle Reports* are accurately completed. The Department should also revise the *Monthly Vehicle Report* so it has pre-printed areas to document the full name of the employee using the vehicle; the public purpose of the trip; and supervisory review and approval.

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#### **Finding No. 5: Cellular Phones**

The Department issued cellular (cell) phones to selected Department employees to enable them to perform their official duties in a more efficient and effective manner. The Department spent

approximately \$287,279 for cell phone usage during calendar year 2005, and approximately \$167,000 during the six-month period ended June 30, 2006. Personal calls made using the Department's cell phones were required to be identified in writing and reimbursed to the Department by the employee, pursuant to the Department's *FDOE Internal Operating Procedures* (hereafter called *Procedures*), which state: "If the agency cellular phone is used for personal use, that user must provide a personal check for such usage generating charges in excess of \$1.00." Calls not identified as personal were assumed to have been made for official business, but the business purpose of such calls was not documented, and business calls as such were not specifically discussed in the *Procedures*.

Additionally, the *Reference Guide for State Expenditures* issued by the Department of Financial Services (DFS) states that "cellular telephones should only be used for conducting official state business when a conventional telephone is not readily available" and requires that payment be received from employees for personal usage.

Our audit disclosed that the Department did not maintain a master list of its cell phones; consequently, it could not readily determine the total number of cell phones owned or leased, or identify employees assigned a phone. We also noted that the Department's *Procedures* did not require the review of cell phone billings to ensure that personal calls were identified and reimbursed by employees.

We examined 60 billings for 50 different cell phones used during calendar year 2005, and noted the following:

- Two of the 60 billings were accompanied by copies of reimbursement checks paying for personal calls; however, our review of the 60 billings identified 867 calls, totaling 3,268 minutes, that appeared to be for nonbusiness purposes (i.e., they were made to residential or other non-governmental numbers during or after normal work hours).
- Eleven of the 60 billings had been reviewed by the employee to identify personal calls; however, in each of the 11 billings, we noted exceptions

involving incomplete identification of personal usage or inaccurate reimbursements.

Pursuant to United States Treasury Regulations, Section 1.274-5T(e), an employee may not exclude from gross income any amount of the value of property listed in Section 280F(d)(4) of the Internal Revenue Code (IRC), unless the employee substantiates the amount of the exclusion in accordance with the requirements of Section 274(d) IRC, and United States Treasury Regulations, Section 1.274-5T. Because cell phones are listed property in the IRC, their use is subject to the substantiation requirements of the United States Treasury Regulations, Section 1.274-5T(b)(6), which require employees to submit records to the Department to establish the amount, date, place, and business purpose for each business use. A notated copy of the employee's cell phone bill is an example of such a record.

Since Department policies and procedures did not require employees to submit records substantiating the business use of cell phones, and cell phone bills were not adequately reviewed to ascertain personal calls, the Department should have conferred with DFS regarding reporting to the Internal Revenue Service (IRS) the value of cell phone services provided to each employee assigned a cell phone. Our review disclosed that the Department had not conferred with DFS regarding the inclusion of the value of these services in the income reported on the 2005 calendar year W-2 forms for these employees. Subsequent to our inquiries, the Department contacted DFS to initiate discussion of this issue.

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**Recommendation:** The Department should develop and maintain a master list of all its cell phones. Additionally, the Department should establish and implement policies and procedures to document the business use of cell phones and to require reviews of cell phone bills to ascertain personal calls made and reimbursement thereof. In the absence of implementation of these policies and procedures, the Department should confer with DFS to report appropriate amounts in income to the IRS in accordance with Federal requirements.

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**Finding No. 6: FLAIR Access Controls**

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The Department uses the Florida Accounting Information Resource Subsystem (FLAIR) to record and report its financial transactions. Control over employees' access to FLAIR is necessary to help prevent and detect any improper or unauthorized use of that subsystem. Accordingly, FLAIR access should be: (1) limited to properly authorized employees; (2) appropriate for the employees' assigned duties and responsibilities; and (3) promptly revoked when employees are terminated or reassigned.

Our review of the Department's FLAIR access records for 21 ex-employees, who terminated between January 2005 and January 2006, disclosed that access for 17 ex-employees was not revoked on a timely basis. The FLAIR access for 15 of these 17 individuals remained active from 3 to 241 calendar days after their termination dates, and access for the remaining 2 individuals was still active as of May 31, 2006, although their employment had been terminated on August 19, 2005, and December 1, 2005, respectively.

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**Recommendation:** The Department should strengthen controls over FLAIR access to ensure that it is promptly revoked when employees are terminated or reassigned to positions not requiring access.

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**Finding No. 7: Transmittal of State Board of Education Bond Information to District School Boards and Community Colleges**


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Our audits of various district school boards and community colleges for the 2005-06 fiscal year, which were on going at the time of this operational audit, disclosed that the Department had not provided those district school boards and community colleges the information needed to accurately reflect State Board of Education (SBE) bond transactions in their financial statements and accompanying notes.

For the 2005-06 fiscal year, there were two SBE bond issues (Series 2005B and 2006). The Series 2005B SBE bond issue was to partially refund the Series 1998A and 2000A SBE bond issues. In addition, in June 2005 the Series 2005A bonds were issued to partially refund the Series 1996A and 1997A bonds.

The following specific information regarding the above SBE bond transactions was not provided by the Department on a timely basis:

- Accounting entries to properly report the Series 2005B Refunding issue transactions. Although these bonds were included in the outstanding debt for the accounting entries previously provided to the district school boards, accounting entries to report the other financing sources and uses for refunding bonds issued, bonds refunded, and premiums or discounts are still required to report these transactions in accordance with generally accepted accounting principles. Additionally, these entries are needed to account for the differences in the outstanding debt previously reported at June 30, 2005, and the amount outstanding at June 30, 2006.
- Amortization schedules for the Series 2005A and 2005B SBE bonds. This information is necessary to provide the required note disclosure to the financial statements in accordance with generally accepted accounting principles. These standards require that the outstanding obligations for bond, principal and interest, be disclosed by year for five years and then in five year increments afterwards.

Without accurate and complete SBE bond information, district school boards and community colleges can not prepare financial statements and

accompanying notes that comply with generally accepted accounting principles.

Subsequent to our inquiries, on October 26, 2006, the Department provided the needed SBE bond information to the district school boards and community colleges concerned. District school boards and community colleges were required to file annual financial reports for the 2005-06 fiscal year with the Department by September 11, 2006, and August 15, 2006, respectively. In these circumstances, the district school boards and community colleges did not have accurate and complete SBE bond information to prepare their annual financial reports.

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**Recommendation: The Department should provide the needed SBE bond information to district school boards and community colleges on a timely basis in the future.**

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**Finding No. 8: Community College Facility Enhancement Challenge Grant Program**


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Section 1011.32, Florida Statutes, establishes the Community College Facility Enhancement Challenge Grant Program for the purpose of assisting community colleges in building high priority instructional and community-related capital facilities. To be eligible to participate in the Program, a community college, through its direct-support organization, is required to raise contributions equal to one-half of the total cost of a facilities construction project from private sources. These contributions will be matched by a State appropriation after the matching funds are certified by the direct-support organization and community college, pursuant to Section 1011.32(4), Florida Statutes.

Our financial audit of Daytona Beach Community College (College) for the fiscal year ended June 30, 2006 (report No. 2007-038), disclosed the following regarding the Department's administration of the Program:

- Contrary to Section 1011.32(4), Florida Statutes, the Department only required the College to certify the matching funds. We noted that the

Department developed a certification form (i.e., the *Facility Enhancement Challenge Grant Program Legislative Budget Request* form) to be used to certify that the donated funds for the project have been received and deposited in a separate account set up for the project in its direct-support organization. Although the Department certification form contained a space for a community college's certification, it did not contain such a space for certification by a direct-support organization, whose certification is also required law.

- The College, through its direct-support organization entered into agreements with four local governments and one nonprofit organization that pledged to make donations for use in building the West Volusia Cultural and Corporate Training Center. On February 4, 2005, the College, using the Department certification form, certified to the Department that \$5.8 million of matching funds for the project had been received and deposited in a separate direct-support organization account as of February 1, 2005. However, no matching funds had been received or deposited into a separate direct-support organization or College account as of February 1, 2005. In addition, the direct support organization had not made the certification regarding matching funds required by Section 1011.32(4), Florida Statutes, since it was not required by the Department.
- In response to our inquiries, College personnel provided us with irrevocable letters of credit, or resolutions from the governing boards of the donor organizations, evidencing that the College had received pledges totaling \$5.8 million and the College had access to such funding upon request. Subsequent to the College submitting the certification form to the Department, the direct support organization received from the donor organizations (and deposited) a total of \$2.1 million of matching funds (\$1,350,000 received in May 2005, and \$750,000 received during the period April through June 2006). However, the remaining \$3.7 million in pledged donations for the project had not been received and deposited in a direct support organization.
- In response to our report No. 2007-038, the Department concurred that the proper procedure for certifications of the matching funds was not utilized by the College. Also, the Department urged the College to take further corrective action in terms of proper compliance for the certification of State matching funds by receipting and

depositing the local funds into the appropriate College account.

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**Recommendation:** The Department should amend its certification form to also require the certification from the respective direct-support organizations or otherwise also obtain the certification from the direct-support organization, as required by law, prior to the disbursement of State funds.

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#### OBJECTIVES, SCOPE, AND METHODOLOGY

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This operational audit focused on internal controls over selected administrative functions of the Department including the overall organizational structure, cash management, motor vehicle assignment and use, cell phones and handheld wireless devices, and FLAIR access controls. Our objectives were:

- To evaluate the effectiveness of established internal controls in achieving management's control objectives in the categories of 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.
- To 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.
- To identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7) (h), Florida Statutes.

In conducting our audit, we interviewed Department personnel, obtained an understanding of internal controls, observed and documented key processes and procedures, examined selected transactions, and performed various other auditing procedures as necessary to accomplish the objectives of the audit. Our audit was for the year ended December 31, 2005, and included selected Department actions through June 30, 2006.



This operational audit was made in accordance with applicable Generally Accepted Government Auditing Standards.

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**PRIOR AUDIT FINDINGS**

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As part of our current audit, we determined that the Department had taken adequate corrective actions for findings included in our report No. 2005-204.

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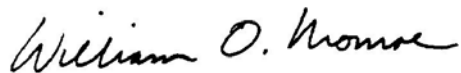
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**AUTHORITY**

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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

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**MANAGEMENT RESPONSE**

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The Department's response is included in this report as Appendix A. The response, including attachments provided by the Department with the response, may be viewed on the Auditor General Web site.

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 by Patricia M. Bruner, CPA, and supervised by Aileen B. Peterson, CPA. Please address inquiries regarding this report to Joseph L. Williams, CPA, Audit Manager, via e-mail ([joewilliams@aud.state.fl.us](mailto:joewilliams@aud.state.fl.us)) or by telephone (850) 414-9941.

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  
Management Response

FLORIDA DEPARTMENT OF EDUCATION



John L. Winn  
Commissioner of Education

STATE BOARD OF EDUCATION

T. WILLARD FAIR, *Chairman*

F. PHILIP HANDY, *Vice Chairman*

*Members*

DONNA G. CALLAWAY

ROBERTO MARTINEZ

PHOEBE RAULERSON

KATHLEEN SHANAHAN

LINDA K. TAYLOR



December 29, 2006

Mr. William O. Monroe  
Auditor General  
Claude Pepper Building  
111 West Madison Street, Suite G74  
Tallahassee, Florida 32399-1450

Dear Mr. Monroe:

The enclosed response to the preliminary and tentative findings of the Department of Education's Operational Audit for year end December 31, 2005, including selected actions through September 30, 2006, is for your information.

If you have any questions, please contact John M. Franco, Inspector General, at 245-0403 or email [john.franco@fldoe.org](mailto:john.franco@fldoe.org).

Sincerely,

John L. Winn  
Commissioner

JLW/jmf/br

Enclosure

**Department of Education**  
Operational Audit for the Year Ended December 31, 2005,  
And Selected Actions Taken Through September 30, 2006  
**Preliminary and Tentative Audit Findings Responses**  
December 29, 2006

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**Finding No. 1: Organizational Structure**

**Response:** Since January 2006, the Department has been in the process of mapping its organizational process and reconciling any inconsistency which may exist between unit titles and placements reflected in the Department's official organization charts and those titles and placements constitutionally or statutorily prescribed.

The Department's official organizational charts reflect organizational titles, placements and functions which have been approved either by the Department of Management Services (DMS), the Executive Office of the Governor, or the Florida Legislature during a multi-year transition period (1998-2003) where Florida's educational systems underwent massive constitutional and statutory changes related to, among other things, agency and unit titles, placements, and organizational structure.

That is, in 1998 the Florida Constitution was amended to change the Commissioner of Education from an elected office to an appointed office. During this transition, Florida's education system simultaneously operated under an elected agency head and an agency head appointed by the State Board of Education.

During this same time, the Legislature also passed the Florida Education Governance Reorganization Implementation Act which mandated systemic changes in educational governance by establishing a seamless academic educational system. This system changed and redefined all core programs and functions of Florida's educational system.

Also during this time, the Division of Vocational Rehabilitation and the Division of Blind Services were legislatively merged into the Department of Education; these statutory changes more than doubled the Department of Education's workforce. Thereafter, the Board of Governors was constitutionally created to oversee the state's colleges and universities, thereby removing the Division of Colleges and Universities from the Department of Education.

In light of this complex transition, the Legislature gave these overlapping agency heads the authority set forth below:

. . . [T]he Secretary of Education, in consultation with the Commissioner of Education, may establish, abolish, or consolidate bureaus, sections, and subsections and ...reallocate duties and functions within the Department of Education in order to promote effective and efficient operation of the department and to implement changes to the state system of education initiated by the adoption of the 1998 amendment to Art. IX of the State Constitution as implemented by the Legislature in chapter 2001-170, Laws of Florida. Authorized positions and appropriations may be transferred from one budget entity to another as required to implement the reorganization. . . .

Ch. 2002-387, Laws of Florida, repealed December 31, 2002.

Notwithstanding these many constitutional and statutory changes and the Department's continuing transition, the Department's official organizational structure, as shown below in the Department's response to the Auditor General's preliminary and tentative finding, has been approved or authorized, except as noted, by the Florida Legislature, DMS or the EOG.

**Finding No. 1 and Bullets 1 and 2:** Inconsistencies were noted between the Department's organizational structure and applicable State requirements. The Department did not always obtain the approval of the Executive Office of the Governor prior to making changes in its organizational structure.

**Response:** While each division, bureau, section or subsection of the Department is not designated by title as a division, bureau, section, or subsection, each unit appropriately functions as a division, bureau, section, or subsection, as approved by DMS and EOG. For example, the titles and placements of the two divisions cited in the findings, the Division of Workforce Development within the Division of Community Colleges was approved by DMS and EOG. See Attachment A. The Department will change the title of the Division of Workforce Development to the Office of Workforce and Economic Development in accordance with Section 20.04(7)(a), Florida Statutes.

**Bullet No. 3:** Section 1000.05, Florida Statutes, specifies certain functions to be assigned to the Office of Equal Educational Opportunity. However, the Department did not show this office on its organizational chart.

**Response:** On June 9, 2003, the EOG, pursuant to its authority prescribed in Section 20.04(7) (b), Florida Statutes, approved changing the title of the Office of Education Opportunity Program to the Office of Equity and Access. The Department's official organization charts properly reflects the official title of this unit. Consequently, the functions of the former Office of Equal Educational Opportunities are properly assigned to the established Office of Equity and Access. See Attachment B.

**Bullet No. 4:** Section 1001.20(4), Florida Statutes, specifies that the Department shall establish the following offices within the Office of the Commissioner of Education: the Office of Technology and Information Services; the Office of Workforce and Economic Development; the Office of Educational Facilities and SMART Schools Clearinghouse; the Office of Student Financial Assistance; and the Office of the Inspector General. However, the Department had not established the required offices within the Office of the Commissioner of Education. Instead, the Department had organizational units called Governmental Relations; Equity and Access; Independent Education and Parental Choice; Strategic Initiatives; Early Learning; Just Read, Florida!; Communications; and the Citizen Information Center.

**Response:** As demonstrated by Attachment C, all of the above-named units report to the Commissioner of Education through a direct line of report to the Chief of Staff. The organizational placements of these units as reflected in the Department's official organization charts have been approved by DMS and the EOG or are statutorily prescribed. For example:

- On June 17, 2003, the EOG approved placing the Office of Student Financial Assistance under the Chief Education Financial Officer. See Attachment D.
- On May 9, 2003, the placement of the Division of Workforce Development under the Chief Education Financial Officer was approved by EOG. See Attachment A, supra.
- On June 17, 2003, the EOG approved both a title change and the placement of the Office of Educational Facilities and SMART Schools under the Chief Education Financial Officer. The current official title for this unit is Educational Facilities. See Attachment D.

The Office of Inspector General and the Office of Technology and Information Services are within the Commissioner's office as statutorily prescribed. However, the Office of Technology and Information is currently titled Office of Chief Technology Officer. This title has been corrected on the Department's official organization charts to reflect Office of Technology and Information Services as approved by DMS and EOG.

Moreover, in accordance with Section 20.04(7) (a), Florida Statutes, the following units are properly placed in the organizational structure of the Department of Education as a result of the functions being assigned to the Department generally without specific legislative unit placement:

- Governmental Relations
- Equity and Access
- Independent Education and Parental Choice
- Strategic Initiatives
- Early Learning
- Just Read, Florida!
- Communications
- Citizen Information Center

Additionally, the Auditor General found that the organizational chart showed Workforce and Economic Development under the Chancellor of Community Colleges; and Student Financial Assistance and Educational Facilities under the Chief Education Financial Officer.

**Response:** On May 9, 2003, the EOG approved the deletion of the Division of Workforce Development from the Office of the Deputy Commissioner for Educational Programs and added the unit to the Office of Applied Technology and Career Success within the Division of Community Colleges. Likewise, on June 17, 2003, the EOG approved the placement of the Offices of Student Financial Assistance and Educational Facilities under the Chief Education Financial Officer. See Attachments A and D, supra. The Department will change the title of the Division of Workforce Development to the Office of Workforce and Economic Development and will notify DMS of such change in accordance with Section 20.04(7)(b), Florida Statutes.

**Bullet No. 5:** Section 1001.21, Florida Statutes, establishes an Office of Private Schools and Home Education Programs. However, the Department did not show this office on its official organization charts.

**Response:** The functions for this office as prescribed by Section 1001.21, Florida Statutes, have been placed in Independent Education and Parental Choice. The Department will seek a statutory change to put the prescribed functions within the office where the functions are now being performed and the Department's official organization charts will be adjusted accordingly. Absent a legislative amendment, the Department will create an Office of Private Schools and Home Education Programs within Independent Education and Parental Choice and notify DMS of such change as the result of a statutory mandate.

**Bullet No. 6:** In 2005, the Department made various changes affecting the structure and personnel assignments within two organizational units: the Division of Community Colleges and Workforce and Economic Development. Most of the requested changes have been implemented and most of the affected staff members have assumed the responsibilities and titles requested. For example, a new office called Workforce Education was established and the Commission for Independent Education was moved to Workforce Education from the Office of Accountability, Research, and Measurement. Also, a new section called Budget and Accountability was established within Workforce Education. The Department's request to DMS for approval of these changes on May 18, 2005 (amended June 10, 2005) was part of a larger reorganization request that was withdrawn by the Department on August 3, 2005. However, a subsequent, modified request had not been submitted to DMS and, consequently, was not approved by EOG.

**Response:** The Department agrees that its official organization charts do not show an office titled Workforce Education, the movement of the Commission for Independent Education to Workforce Education from the Office of Accountability, Research, and Measurement, or the creation of a section titled Budget and Accountability. The titles, Workforce Education and Budget and Accountability, were office and section titles proposed in various reorganization packages of the Division of Workforce Development. "Workforce Education" is the Division of Workforce Development placed under the Division of Community Colleges as approved by the EOG May 9, 2003 and appearing as such in the Department's official organization charts. The budget and accountability function, while properly assigned administratively to that Division, is not set forth as a section in the Department's official organization charts. The Department will establish a section titled Budget and Accountability in accordance with Section 20.04(a) and (b), Florida Statutes.

Also, the Commission for Independent Education is shown on the Department's official organization charts under the Office of Accountability, Research, and Measurement notwithstanding that it is administratively functioning under the Division of Community Colleges. The Department will correct its official organizational charts to organizationally place the Commission where it is administratively functioning in accordance with Section 20.04(7)(a), Florida Statutes, since it is a function assigned generally to the DOE.

On May 9, 2003, the EOG approved moving the Division of Workforce Development to the Division of Community Colleges. On May 18, 2005, DOE requested DMS and EOG approval to combine the two divisions, Division of Community Colleges and Division of Workforce Development, and to create the Division of Community Colleges and Workforce Education; move the Commission for Independent Education from the Office of Accountability, Research, and Measurement to Workforce Education bureau, and create numerous sections and subsections thereunder, including Budget and

Accountability. This reorganization request was withdrawn by the Department on August 3, 2005.

Thereafter, on two different occasions, packages affecting the reorganization of the above-named divisions have been submitted to DMS, packages' approval recommended by DMS, packages submitted to EOG for approval, and packages withdrawn by the Department. Rather than continuing to submit piece-meal reorganization packages, a policy decision was made by the Department to review its entire organizational structure, submit a comprehensive reorganization package as needed, and seek legislative action to clarify statutory requirements and placements.

During the next calendar year, it is anticipated that the Department's review and reconciliation of its organizational structure will be complete. Moreover, the Department is now drafting legislation to correct statutory inconsistencies and to better streamline the Department's functions. This will clear up inconsistencies and ensure that the Department's organizational structure is consistent with all statutory and constitutional mandates.

#### **Finding No.2 – Cash Collection Locations**

**Response:** The Department has developed an official list of cash collection locations which represents its designated collection points. Because any office within the Department may receive funds from external parties which would require processing, the Department provides guidance for all employees through the Internal Operating Procedures for Handling Funds (Cash and Checks) for Deposit which is located on the DOE Intranet. Steps will be taken to insure that employees are reminded of the procedures that have been established.

#### **Finding No. 3 – Submission of Information to Department of Financial Services**

**Response:** As noted in this finding, the Department has submitted the required information for 2006 and will enhance its procedures to ensure that the required information is provided in timely fashion.

#### **Finding No. 4 - Motor Vehicle Recordkeeping**

**Response:** The Department of Education concurs with the need for accurate motor vehicle records to effectively and efficiently manage motor vehicles. During the period of the audit, management of the recordkeeping system was decentralized. Since that time, the fleet management activities have been centralized within the General Services Section of the Division of Finance and Operations. Each of the individual issues mentioned in the finding has been addressed. A fleet manager for the Department has been formally designated and procedures have been developed that require all monthly vehicle reports be submitted to the fleet manager by the 10<sup>th</sup> of each month. Vehicle reports are accounted for, verified, and signed by the fleet manager and entered into the Equipment Management Information System (EMIS) by the 15<sup>th</sup> of each month. Upon entry into the EMIS system, a monthly report is generated and maintained on file to reflect the accurate accounting of all vehicles. The Department has updated vehicle forms as recommended. Implementation of the new procedures, many of which were initiated prior to the audit under the direction of the designated fleet manager, is designed to result in compliance with all requirements for motor vehicle recordkeeping.

**Finding No. 5 – Cellular Phones**

**Response:** Department business is frequently conducted through calls to nongovernmental and residential numbers during and after normal work hours. To ensure that this practice is properly documented, the Department has enhanced its existing policies and procedures related to state-owned cellular phone and BlackBerry usage to require the users to review and certify the business nature of each call. The cost of personal usage is required to be reimbursed to the Department. In addition, the Department has developed procedures which insure that a centralized listing of state-owned cellular phones assigned to employees is maintained.

**Finding No. 6 – FLAIR Access Controls**

**Response:** The Department will enhance its operating procedures to ensure that only authorized employees will have access to FLAIR.

**Finding No. 7 – Transmittal of State Board of Education Bond Information to District School Boards and Community Colleges**

**Response:** The software application which generates the accounting calculations and entries of State Board of Education (SBE) Capital Outlay bond issues is scheduled to be redesigned in 2006-07 and will be operational for the subsequent fiscal year.

As the finding indicates, all information pertaining to SBE bond refunding issues has been provided to school districts and community colleges and, as recommended, future SBE bond issue accounting treatments will be provided to school districts and community colleges prior to reporting deadlines.

**Finding No. 8 – Community College Facility Enhancement Challenge Grant Program**

**Response:** The Division of Community Colleges is amending the certification form for matching programs. Prior to the next certification period, a new form will be used that requires signatures from the community college president and the education foundation director. There will also be an additional certification by the foundation auditor verifying that the matching funds were received and deposited.