



AUDITOR GENERAL

WILLIAM O. MONROE, CPA



DEPARTMENT OF CHILDREN AND FAMILY SERVICES

SELECTED ADMINISTRATIVE ACTIVITIES

Operational Audit

SUMMARY

The mission of the Department of Children and Family Services is to work in partnership with local communities to ensure the safety, well-being, and self-sufficiency of the people served. With respect to administrative matters, the Department’s organizational structure consists of the Central Office, geographic administrative zones, and the Suncoast Region. Our audit focused on selected administrative activities, specifically related to purchasing card activities, FLAIR access controls, and budgeting and fund management. Our audit included the period of July 2004 through January 2006, and selected actions through October 15, 2006.

Purchasing Card Activities

Finding No. 1: We noted instances in which purchasing card transactions were divided into two or more charges in order to avoid the users’ single transaction card limits.

Finding No. 2: The Department did not always ensure purchasing cards were timely canceled for terminated employees.

FLAIR Access Controls

Finding No. 3: The Department did not always ensure FLAIR access was timely canceled for terminated employees.

Budgeting and Fund Management

Finding No. 4: As required by the Legislature, the Department has implemented a budget realignment to more appropriately align expenditures with funding sources.

BACKGROUND

The mission of the Department of Children and Family Services is to work in partnership with local communities to ensure the safety, well-being, and self-sufficiency of the people served. The Department’s Office of Administrative Services is responsible for the Department’s accounting, budgeting, human resources management, general services, and contracting.

FINDINGS AND RECOMMENDATIONS

Purchasing Card Activities

Finding No. 1: Transaction Limits

The Department’s controls over purchasing card usage include the establishment of card limits and single transaction limits. Generally, single transaction limits do not exceed \$25,000. Cardholders are required to obtain approval from the Purchasing Office in order to make charges that exceed limits.

Audit tests disclosed four instances in which a purchase was divided in order to avoid the user’s single transaction limit. The total charges in these instances ranged from \$4,000 to \$75,999. Department staff indicated that in three of the instances, the vendor subdivided the charges, and that in the future, Department staff will advise vendors not to subdivide charges. In the other instance, the employee divided the charge.

Transaction limits are established to limit the State’s exposure to losses. Dividing transactions to avoid a card’s transaction limit compromises the effectiveness of the control.

Recommendation: We recommend the Department increase purchasing card review and monitoring in order to timely detect and prevent cardholders from compromising single transaction limit controls.

Finding No. 2: Card Cancellations

The Department’s Purchasing Card Program User Guidelines require that purchasing cards be immediately canceled and destroyed upon an employee’s termination from the Department. It is the responsibility of the terminating employee’s supervisor to collect the purchasing card, cut it in half, affix it to a Cardholder Termination Form, and forward the Form to the Purchasing Card Administrator. Upon receipt, it is the Purchasing Card Administrator’s responsibility to immediately cancel and complete the destruction of the card.

Our review of the timeliness of card cancellation for 20 cardholders who left employment with the Department during the audit period disclosed 6 instances in which the card privileges were not timely canceled upon the employee’s termination. The time between termination and cancellation of the cards ranged from 5 to 144 days. With respect to these 20 cards, our tests also disclosed:

- In 3 instances, the cards had not been timely returned to the Purchasing Card Administrator. The number of days elapsed between termination and return of the cards in these 3 instances was 5, 24 and 53 days. In 2 other instances, the Cardholder Termination Forms were not dated, so we could not determine whether the cards had been returned timely.
- In 15 instances, the Department could not provide the Cardholder Termination Form. Department staff indicated that in 3 of these 15 instances, the cards had been returned and destroyed, and in the other 12 instances, the cards were not returned.

Department staff stated that they would increase training to ensure that supervisors timely notify the Purchasing Card Administrator of employee terminations. Department staff noted that in the above instances, the cards had been canceled by the Purchasing Card Administrator immediately upon notification by the applicable supervisors. Additionally, the Department indicated that the Cardholder Termination Form had been modified to require a submission date.

Recommendation: We recommend the Department ensure that purchasing cards are timely collected and destroyed, and privileges are canceled immediately upon an employee’s termination.

FLAIR Access Controls

Finding No. 3: Access Cancellation

The Department maintains a FLAIR Access Control File that enables applicable Department employees to utilize various FLAIR components. It is important that when employees leave the Department, access privileges are promptly removed to reduce the risk of access privileges being exploited by the terminated employees or others.

Our tests of the Department’s FLAIR Access Control File as of January 31, 2006, disclosed 18 employees whose FLAIR access remained active, although they were no longer employed with the Department. The number of days elapsed between our review and the termination dates ranged from 33 to 313 days.

Recommendation: We recommend the Department enhance procedures to ensure that FLAIR access is timely revoked upon termination of employees.

Budgeting and Fund Management

occurring during the period July 2004 through January 2006, and selected actions through October 15, 2006.

Finding No. 4: Budget Realignment

Chapter 2006-25, Laws of Florida, required the Department to realign its budget in order to more appropriately align expenditures with funding sources. For the 2006-07 fiscal year, the realignment was to be submitted in the form of a budget amendment to the Legislative Budget Commission (LBC). For the 2007-08 fiscal year, the Department was required to submit a permanent budget realignment. The 2006-07 fiscal year budget realignment amendment was approved by the LBC on August 17, 2006. In addition, the Department's 2007-08 budget reflected the same realignment methodology as the amendment submitted to the LBC.

Our consideration of this issue was limited to a review of the methodology utilized by the Department in formulating the budget realignment. As a result of our review, we concluded that the methodology was reasonable.

OBJECTIVES, SCOPE, AND METHODOLOGY

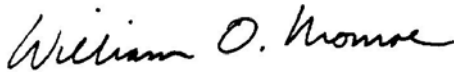
The overall objectives related to our audit of selected Department administrative activities were to obtain an understanding of internal controls and make judgments as to the effectiveness of those internal controls and to evaluate management's performance in achieving compliance with controlling laws, administrative rules, and other guidelines, the economic, efficient, and effective operation of the above activities; the validity and reliability of records and reports; and the safeguarding of assets.

The scope of this audit focused on activities related to: 1) purchasing card activities, 2) FLAIR access controls, and 3) budgeting and fund management.

In conducting our audit, we interviewed Department personnel, observed processes and procedures, and completed various analyses and other procedures as determined necessary to accomplish the objectives of the audit. Our audit included examinations of various transactions (as well as events and conditions)

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 letter dated February 12, 2007, the Department provided responses to our findings. The letter is included in its entirety at the end of this report as Appendix A.

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 Karen Van Amburg, CPA, and supervised by Gary Campbell, CPA. Please address inquiries regarding this report to Jane Flowers, CPA, Audit Manager, via E-mail at janeflowers@aud.state.fl.us or by telephone at (850) 487-9136.

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



State of Florida
Department of Children and Families

Charlie Crist
Governor

Robert A. Butterworth
Secretary

February 12, 2007

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

Dear Mr. Monroe:

Thank you for your January 12 letter accompanying the preliminary findings and recommendations from your audit of the Department of Children and Family Services Selected Administrative Activities for the period July 2004 through January 2006.

Below is our response to your findings and recommendations:

Finding No. 1: Purchasing Card Activities

We noted instances in which purchasing card transactions were divided into two or more charges in order to avoid the users' single transaction card limits.

Auditor General Recommendation: We recommend the Department increase purchasing card review and monitoring in order to timely detect and prevent cardholders from compromising single transaction limit controls.

Response: The Department concurs with the finding that transactions were inappropriately divided to avoid exceeding the user's single transaction limit. It should be noted, however, that none of the instances resulted in inappropriate charges to the State of Florida. The Department has revised its Post Audit Action Steps document (part of our review and monitoring) to better detect such instances. In addition, we will continue to emphasize polices related to transaction limits in training.

1317 Winewood Boulevard, Tallahassee, Florida 32399-0700

Mission: Protect the Vulnerable, Promote Strong and Economically Self-Sufficient Families, and Advance Personal and Family Recovery and Resiliency

APPENDIX A**MANAGEMENT RESPONSE (CONTINUED)**

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Finding No. 2: Purchasing Card Activities

The Department did not always ensure purchasing cards were timely canceled for terminated employees.

Auditor General Recommendation: We recommend the Department ensure that purchasing cards are timely collected and destroyed, and privileges are canceled immediately upon an employee's termination.

Response: The Department has modified the Cardholder Termination Form to include the date. We will work with our Human Resources Office to receive notification of terminated employees in order to assist us in canceling purchasing cards for terminated employees in a more timely manner. We have created a log to track cancellations, the receipt of Termination Forms and purchasing cards of terminating employees. We have added more emphasis in training about the importance of following the prescribed card cancellation procedures for a terminating employee. We have found no instance of an inappropriate purchase by an employee that has terminated.

Finding No. 3: FLAIR Access Controls

The Department did not always ensure FLAIR access was timely canceled for terminated employees.

Auditor General Recommendation: We recommend the Department enhance procedures to ensure that FLAIR access is timely revoked upon termination of employees.

Response: The Department will emphasize the security implications of our requirement to terminate FLAIR access in a more timely manner in future training opportunities, and continue to strive for improvement in this area.

Finding No. 4: Budgeting and Fund Management

As required by the Legislature, the Department has implemented a budget realignment to more appropriately align expenditures with funding sources.

Response: The Department concurs with the findings of the auditors that the methodology used for this exercise was reasonable.

APPENDIX A

MANAGEMENT RESPONSE (CONTINUED)

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The Department appreciates the work and effort of your staff in this area. If you have additional questions regarding this response, please contact Mr. Elwood McElhane, Comptroller, at (850) 488-4798.

Sincerely,



Robert A. Butterworth
Secretary

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